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Subject: Exempting transportation and public transit purchases from the sales tax

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Overview

Provides a sales tax exemption for general Department of Transportation (MnDOT) purchases, construction of MnDOT buildings and facilities, materials, supplies, and equipment for public transit capital projects and other transportation capital projects funded by MnDOT or local governments. Provides a refund mechanism for sales tax paid by contractors, subcontractors, and builders for materials eligible for this exemption. Also provides an exemption from motor vehicle sales tax (MVST) on large road and bridge maintenance vehicles (i.e., snowplows and road graders) purchased by MnDOT or local governments.

Section

- 1 Sales to the Department of Transportation.** Provides a general sale tax exemption for MnDOT on all taxable purchases with the following two exceptions:
 - ▶ indirect purchases made by a contractor subcontractor or builder for construction of department building or facilities (these are exempt through a refund process in section 2); and
 - ▶ construction materials purchased by the department or its contractors for buildings or non-transportation facilities not principally used by the department.Effective for sales and purchases made after June 30, 2017.
- 2 Construction materials purchased by contractors; exemption for certain public entities.** Provides a sales tax exemption for materials used on a number of transportation-related

Section

projects. The tax must be paid at the time of purchase, and MnDOT, or the local government, must apply for the refund of the sales tax under sections 3 to 5.

- ▶ Paragraph (a) exempts purchases made by a contractor, subcontractor, or builder for materials and supplies used in and equipment incorporated into buildings and facilities used principally by MnDOT.
- ▶ Paragraph (b) exempts purchases made by a contractor, subcontractor, or builder for materials and supplies used in and equipment incorporated into public transit and other transportation capital projects funded in whole or in part by the Department of Transportation or by a local government (county, city, town, or special district).
- ▶ Paragraph (c) provides the use of the sales refund mechanism.
- ▶ Paragraphs (d) and (e) define “public transit projects” and “other transportation capital projects.”

Effective for sales and purchases made after June 30, 2017.

- 3 Tax collected.** Removes some obsolete provisions and adds the purchases under subdivision 2 to the projects eligible for a sales tax refund.
- 4 Refund; eligible persons.** Requires that MnDOT or the eligible local government apply for the refund.
- 5 Application.** Requires the contractor, subcontractor, or builder provide MnDOT or the local government with the information needed to apply for the refund.
- 6 Exemptions (MVST).** Exempts purchases of motor vehicles by MnDOT or local governments from the motor vehicle sales tax if the vehicle is used exclusively for highway, road and bridge maintenance. Specifically excludes automobiles, vans, and pickup trucks from this exemption.

Effective for sales and purchases made after June 30, 2017.