

Subject Provides a sales tax exemption for contractor purchases for government and certain nonprofit construction projects

Authors Freiberg and others

Analyst Pat Dalton

Date February 7, 2019

Overview

Provides a sales tax exemption for contractor-purchased building materials for local governments and nonprofits that already have an exemption if the entity purchases the building materials themselves. The tax would be paid at the time of the purchase and the local government or nonprofit entity would apply for the refund. Effective after June 30, 2019.

This will allow these entities to benefit from a sales tax exemption on all construction materials regardless of whether they do an all-inclusive construction contract or separate contracts for material and for labor.

Summary

| Section | Description |
|---------|--|
| 1 | <p>Construction materials purchased by contractor; exemption for certain entities.</p> <p>Allows a contractor, subcontractor, or builder a sales tax exemption on construction materials and supplies used in buildings and facilities used principally by one of the following:</p> <ul style="list-style-type: none">• school districts;• other local governments;• government-owned hospitals and nursing homes;• libraries;• charitable, religious, and educational nonprofits;• nonprofit hospitals, nonprofits, and critical access dental providers; and• nonprofit nursing homes and boarding care homes. |

| Section | Description |
|---------|--|
| | <p>Each of these groups already have a sales tax exemption for their purchases and may currently buy these materials exempt if they purchase the materials themselves under a separate contract.</p> <p>Also exempts materials used in the construction, reconstruction, and repair of public infrastructure like roads, bridges, sewers, and water treatment facilities.</p> <p>The tax is paid by the contractor at the time of sale, and the tax is refunded to the tax exempt entity under sections two to four.</p> <p>Effective after June 30, 2019.</p> |
| 2 - 4 | <p>Tax refund.</p> <p>Provides that the entity that owns the building or facility being constructed must apply for the refund of the tax. The contractor or subcontractors must provide the entity with the information needed to file the refund.</p> <p>Effective after June 30, 2019.</p> |



**MN HOUSE
RESEARCH**

Minnesota House Research Department provides nonpartisan legislative, legal, and information services to the Minnesota House of Representatives. This document can be made available in alternative formats.

www.house.mn/hrd | 651-296-6753 | 600 State Office Building | St. Paul, MN 55155