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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **2163**

March 15, 2007

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The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxes; expanding the sales tax base and reducing the rate; providing a
1.3 low income tax credit; appropriating money; amending Minnesota Statutes 2006,
1.4 sections 297A.61, subdivision 3; 297A.62, subdivision 1; 297A.67, subdivision
1.5 7; 297A.68, subdivisions 10, 19, by adding a subdivision; 297A.70, subdivision
1.6 10; proposing coding for new law in Minnesota Statutes, chapter 290; repealing
1.7 Minnesota Statutes 2006, sections 297A.67, subdivisions 8, 9, 10, 13, 13a, 14,
1.8 15, 16, 17; 297A.70, subdivision 12.

1.9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.10 Section 1. **[290.0678] CLOTHING SALES TAX CREDIT.**

1.11 Subdivision 1. **Definitions.** (a) For purposes of this section the following terms
1.12 have the meaning given.

1.13 (b) "Income" has the meaning given in section 290.067, subdivision 2a.

1.14 (c) "Qualifying child" has the meaning given in section 32(c) of the Internal
1.15 Revenue Code.

1.16 Subd. 2. **Credit allowed.** An individual is allowed a credit against the tax imposed
1.17 under this chapter. The credit equals \$40 for a married couple filing a joint return and \$20
1.18 for all other filers, plus \$40 for each qualifying child, but an individual may not claim the
1.19 credit for more than two qualifying children.

1.20 Subd. 3. **Limitations.** (a) The credit allowed in this section is reduced by one
1.21 percent of income in excess of a threshold. For married couples filing joint returns, the
1.22 threshold equals \$48,000; for single and head of household filers, the threshold equals
1.23 \$36,000; and for married individuals filing separate returns, the threshold equals \$24,000.

1.24 (b) For a nonresident or part-year resident, the credit must be allocated based on the
1.25 percentage calculated under section 290.06, subdivision 2c, paragraph (e).

2.1 Subd. 4. **Credit refundable.** If the amount of credit which the claimant is eligible
 2.2 to receive under this section exceeds the claimant's tax liability under this chapter, the
 2.3 commissioner shall refund the excess to the claimant.

2.4 Subd. 5. **Appropriation.** An amount sufficient to pay the refunds required by this
 2.5 section is appropriated to the commissioner from the general fund.

2.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
 2.7 December 31, 2006.

2.8 Sec. 2. Minnesota Statutes 2006, section 297A.61, subdivision 3, is amended to read:

2.9 Subd. 3. **Sale and purchase.** (a) "Sale" and "purchase" include, but are not limited
 2.10 to, each of the transactions listed in this subdivision.

2.11 (b) Sale and purchase include:

2.12 (1) any transfer of title or possession, or both, of tangible personal property, whether
 2.13 absolutely or conditionally, for a consideration in money or by exchange or barter; and

2.14 (2) the leasing of or the granting of a license to use or consume, for a consideration
 2.15 in money or by exchange or barter, tangible personal property, other than a manufactured
 2.16 home used for residential purposes for a continuous period of 30 days or more.

2.17 (c) Sale and purchase include the production, fabrication, printing, or processing of
 2.18 tangible personal property for a consideration for consumers who furnish either directly or
 2.19 indirectly the materials used in the production, fabrication, printing, or processing.

2.20 (d) Sale and purchase include the preparing for a consideration of food.

2.21 Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited
 2.22 to, the following:

2.23 (1) prepared food sold by the retailer;

2.24 (2) soft drinks;

2.25 (3) candy;

2.26 (4) dietary supplements; and

2.27 (5) all food sold through vending machines.

2.28 (e) A sale and a purchase includes the furnishing for a consideration of sewer
 2.29 services, electricity, gas, water, or steam for use or consumption within this state.

2.30 (f) A sale and a purchase includes the transfer for a consideration of prewritten
 2.31 computer software whether delivered electronically, by load and leave, or otherwise.

2.32 (g) A sale and a purchase includes the furnishing for a consideration of the following
 2.33 services:

3.1 (1) the privilege of admission to places of amusement, recreational areas, or athletic
3.2 events, and the making available of amusement devices, tanning facilities, reducing
3.3 salons, steam baths, turkish baths, health clubs, and spas or athletic facilities;

3.4 (2) lodging and related services by a hotel, rooming house, resort, campground,
3.5 motel, or trailer camp and the granting of any similar license to use real property in a
3.6 specific facility, other than the renting or leasing of it for a continuous period of 30 days
3.7 or more under an enforceable written agreement that may not be terminated without
3.8 prior notice;

3.9 (3) nonresidential parking services, whether on a contractual, hourly, or other
3.10 periodic basis, except for parking at a meter;

3.11 (4) the granting of membership in a club, association, or other organization if:

3.12 (i) the club, association, or other organization makes available for the use of its
3.13 members sports and athletic facilities, without regard to whether a separate charge is
3.14 assessed for use of the facilities; and

3.15 (ii) use of the sports and athletic facility is not made available to the general public
3.16 on the same basis as it is made available to members.

3.17 Granting of membership means both onetime initiation fees and periodic membership
3.18 dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and
3.19 squash courts; basketball and volleyball facilities; running tracks; exercise equipment;
3.20 swimming pools; and other similar athletic or sports facilities;

3.21 (5) delivery of aggregate materials and concrete block by a third party if the delivery
3.22 would be subject to the sales tax if provided by the seller of the aggregate material or
3.23 concrete block; and

3.24 (6) services as provided in this clause:

3.25 (i) laundry and dry cleaning services including cleaning, pressing, repairing, altering,
3.26 and storing clothes, linen services and supply, cleaning and blocking hats, and carpet,
3.27 drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not
3.28 include services provided by coin operated facilities operated by the customer;

3.29 (ii) motor vehicle washing, waxing, and cleaning services, including services
3.30 provided by coin operated facilities operated by the customer, and rustproofing,
3.31 undercoating, and towing of motor vehicles;

3.32 (iii) building and residential cleaning, maintenance, and disinfecting and
3.33 exterminating services;

3.34 (iv) detective, security, burglar, fire alarm, and armored car services; but not
3.35 including services performed within the jurisdiction they serve by off-duty licensed peace
3.36 officers as defined in section 626.84, subdivision 1, or services provided by a nonprofit

4.1 organization for monitoring and electronic surveillance of persons placed on in-home
 4.2 detention pursuant to court order or under the direction of the Minnesota Department
 4.3 of Corrections;

4.4 (v) pet grooming services;

4.5 (vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting
 4.6 and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor
 4.7 plant care; tree, bush, shrub, and stump removal, except when performed as part of a land
 4.8 clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for
 4.9 public utility lines. Services performed under a construction contract for the installation of
 4.10 shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

4.11 (vii) massages, except when provided by a licensed health care facility or
 4.12 professional or upon written referral from a licensed health care facility or professional for
 4.13 treatment of illness, injury, or disease; ~~and~~

4.14 (viii) the furnishing of lodging, board, and care services for animals in kennels and
 4.15 other similar arrangements, but excluding veterinary and horse boarding services;

4.16 (ix) car repair services;

4.17 (x) general repair services;

4.18 (xi) legal services;

4.19 (xii) accounting, financial planning, and brokerage services;

4.20 (xiii) tattoos and body piercing;

4.21 (xiv) personal grooming and salon services, including, but not limited to, haircuts,
 4.22 hair styling, and hair dyeing; hair extensions; shaving and waxing; manicures; pedicures;
 4.23 facials; body wraps; and tanning services; and

4.24 (xv) funeral services.

4.25 In applying the provisions of this chapter, the terms "tangible personal property"
 4.26 and "retail sale" include taxable services listed in clause (6), items (i) to (vi) and (viii),
 4.27 and the provision of these taxable services, unless specifically provided otherwise.

4.28 Services performed by an employee for an employer are not taxable. Services performed
 4.29 by a partnership or association for another partnership or association are not taxable if
 4.30 one of the entities owns or controls more than 80 percent of the voting power of the
 4.31 equity interest in the other entity. Services performed between members of an affiliated
 4.32 group of corporations are not taxable. For purposes of the preceding sentence, "affiliated
 4.33 group of corporations" means those entities that would be classified as members of an
 4.34 affiliated group as defined under United States Code, title 26, section 1504, disregarding
 4.35 the exclusions in section 1504(b).

5.1 (h) A sale and a purchase includes the furnishing for a consideration of tangible
 5.2 personal property or taxable services by the United States or any of its agencies or
 5.3 instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political
 5.4 subdivisions.

5.5 (i) A sale and a purchase includes the furnishing for a consideration of
 5.6 telecommunications services, including cable television services and direct satellite
 5.7 services. Telecommunications services are taxed to the extent allowed under federal law.

5.8 (j) A sale and a purchase includes the furnishing for a consideration of installation if
 5.9 the installation charges would be subject to the sales tax if the installation were provided
 5.10 by the seller of the item being installed.

5.11 (k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer
 5.12 to a customer when (1) the vehicle is rented by the customer for a consideration, or (2)
 5.13 the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section
 5.14 65B.29, subdivision 1, clause (1).

5.15 Sec. 3. Minnesota Statutes 2006, section 297A.62, subdivision 1, is amended to read:

5.16 Subdivision 1. **Generally.** Except as otherwise provided in subdivision 2 or 3 or
 5.17 in this chapter, a sales tax of ~~6.5~~ 4.5 percent is imposed on the gross receipts from retail
 5.18 sales as defined in section 297A.61, subdivision 4, made in this state or to a destination
 5.19 in this state by a person who is required to have or voluntarily obtains a permit under
 5.20 section 297A.83, subdivision 1.

5.21 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
 5.22 June 30, 2007.

5.23 Sec. 4. Minnesota Statutes 2006, section 297A.67, subdivision 7, is amended to read:

5.24 Subd. 7. ~~Drugs; Medical devices.~~ (a) Sales of the following ~~drugs and~~ medical
 5.25 devices are exempt:

5.26 (1) ~~drugs for human use, including over-the-counter drugs;~~

5.27 (2) single-use finger-pricking devices for the extraction of blood and other single-use
 5.28 devices and single-use diagnostic agents used in diagnosing, monitoring, or treating
 5.29 diabetes;

5.30 (3) ~~insulin and medical oxygen for human use, regardless of whether prescribed~~
 5.31 ~~or sold over the counter;~~

5.32 (4) (2) prosthetic devices;

5.33 (5) (3) durable medical equipment for home use only;

5.34 (6) (4) mobility enhancing equipment; ~~and.~~

6.1 ~~(7) prescription corrective eyeglasses:~~

6.2 (b) For purposes of this subdivision:

6.3 (1) ~~"Drug" means a compound, substance, or preparation, and any component of~~
 6.4 ~~a compound, substance, or preparation, other than food and food ingredients, dietary~~
 6.5 ~~supplements, or alcoholic beverages that is:~~

6.6 ~~(i) recognized in the official United States Pharmacopoeia, official Homeopathic~~
 6.7 ~~Pharmacopoeia of the United States, or official National Formulary, and supplement~~
 6.8 ~~to any of them;~~

6.9 ~~(ii) intended for use in the diagnosis, cure, mitigation, treatment, or prevention~~
 6.10 ~~of disease; or~~

6.11 ~~(iii) intended to affect the structure or any function of the body.~~

6.12 ~~(2) "Durable medical equipment" means equipment, including repair and~~
 6.13 ~~replacement parts, but not including mobility enhancing equipment, that:~~

6.14 (i) can withstand repeated use;

6.15 (ii) is primarily and customarily used to serve a medical purpose;

6.16 (iii) generally is not useful to a person in the absence of illness or injury; and

6.17 (iv) is not worn in or on the body.

6.18 ~~(3)~~ (2) "Mobility enhancing equipment" means equipment, including repair and
 6.19 replacement parts, but not including durable medical equipment, that:

6.20 (i) is primarily and customarily used to provide or increase the ability to move from
 6.21 one place to another and that is appropriate for use either in a home or a motor vehicle;

6.22 (ii) is not generally used by persons with normal mobility; and

6.23 (iii) does not include any motor vehicle or equipment on a motor vehicle normally
 6.24 provided by a motor vehicle manufacturer.

6.25 ~~(4) "Over-the-counter drug" means a drug that contains a label that identifies the~~
 6.26 ~~product as a drug as required by Code of Federal Regulations, title 21, section 201.66. The~~
 6.27 ~~label must include a "drug facts" panel or a statement of the active ingredients with a list of~~
 6.28 ~~those ingredients contained in the compound, substance, or preparation. Over-the-counter~~
 6.29 ~~drugs do not include grooming and hygiene products, regardless of whether they otherwise~~
 6.30 ~~meet the definition. "Grooming and hygiene products" are soaps, cleaning solutions,~~
 6.31 ~~shampoo, toothpaste, mouthwash, antiperspirants, and suntan lotions and sunscreens.~~

6.32 ~~(5) "Prescribed" and "prescription" means a direction in the form of an order,~~
 6.33 ~~formula, or recipe issued in any form of oral, written, electronic, or other means of~~
 6.34 ~~transmission by a duly licensed health care professional.~~

6.35 ~~(6)~~ (3) "Prosthetic device" means a replacement, corrective, or supportive device,
 6.36 including repair and replacement parts, worn on or in the body to:

- 7.1 (i) artificially replace a missing portion of the body;
- 7.2 (ii) prevent or correct physical deformity or malfunction; or
- 7.3 (iii) support a weak or deformed portion of the body.

7.4 Prosthetic device does not include corrective eyeglasses.

7.5 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
7.6 June 30, 2007.

7.7 Sec. 5. Minnesota Statutes 2006, section 297A.68, subdivision 10, is amended to read:

7.8 Subd. 10. **Publications; publication materials.** Tangible personal property that
7.9 is used or consumed in producing any publication regularly issued at average intervals
7.10 not exceeding three months is exempt, ~~and any such publication is exempt.~~ "Publication"
7.11 includes, but is not limited to, a qualified newspaper as defined by section 331A.02,
7.12 together with any supplements or enclosures. "Publication" does not include magazines
7.13 and periodicals sold over the counter. Tangible personal property that is used or consumed
7.14 in producing a publication does not include machinery, equipment, implements, tools,
7.15 accessories, appliances, contrivances, furniture, and fixtures used in the publication, or
7.16 fuel, electricity, gas, or steam used for space heating or lighting.

7.17 Advertising contained in a publication is a nontaxable service and is exempt.
7.18 Persons who publish or sell newspapers are engaging in a nontaxable service with
7.19 respect to gross receipts realized from such news-gathering or news-publishing activities,
7.20 including the sale of advertising.

7.21 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
7.22 June 30, 2007.

7.23 Sec. 6. Minnesota Statutes 2006, section 297A.68, subdivision 19, is amended to read:

7.24 Subd. 19. **Petroleum products.** The following petroleum products are exempt:

7.25 (1) ~~products upon which a tax has been imposed and paid under chapter 296A,~~
7.26 ~~and for which no refund has been or will be allowed because the buyer used the fuel~~
7.27 ~~for nonhighway use;~~

7.28 (2) products that are used in the improvement of agricultural land by constructing,
7.29 maintaining, and repairing drainage ditches, tile drainage systems, grass waterways, water
7.30 impoundment, and other erosion control structures;

7.31 (3) products purchased by a transit system receiving financial assistance under
7.32 section 174.24, 256B.0625, subdivision 17, or 473.384;

7.33 (4) products purchased by an ambulance service licensed under chapter 144E;

8.1 ~~(5)~~ (4) products used in a passenger snowmobile, as defined in section 296A.01,
 8.2 subdivision 39, for off-highway business use as part of the operations of a resort as
 8.3 provided under section 296A.16, subdivision 2, clause (2); or

8.4 ~~(6)~~ (5) products purchased by a state or a political subdivision of a state for use in
 8.5 motor vehicles exempt from registration under section 168.012, subdivision 1, paragraph
 8.6 (b).

8.7 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
 8.8 June 30, 2007.

8.9 Sec. 7. Minnesota Statutes 2006, section 297A.68, is amended by adding a subdivision
 8.10 to read:

8.11 Subd. 42. **Legal and accounting services.** The sales of legal, accounting, financial
 8.12 planning, and brokerage services are exempt if used in a trade or business.

8.13 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
 8.14 June 30, 2007.

8.15 Sec. 8. Minnesota Statutes 2006, section 297A.70, subdivision 10, is amended to read:

8.16 Subd. 10. **Nonprofit tickets or admissions.** ~~(a)~~ Tickets or admissions to an event
 8.17 are exempt if all the gross receipts are recorded as such, in accordance with generally
 8.18 accepted accounting principles, on the books of one or more organizations whose primary
 8.19 mission is to provide an opportunity for citizens of the state to participate in the creation,
 8.20 performance, or appreciation of the arts, and provided that each organization is:

8.21 (1) an organization described in section 501(c)(3) of the Internal Revenue Code in
 8.22 which voluntary contributions make up at least the following percent of the organization's
 8.23 annual revenue in its most recently completed 12-month fiscal year, or in the current year
 8.24 if the organization has not completed a 12-month fiscal year:

8.25 (i) for sales made after July 31, 2001, and before July 1, 2002, for the organization's
 8.26 fiscal year completed in calendar year 2000, three percent;

8.27 (ii) for sales made on or after July 1, 2002, and on or before June 30, 2003, for the
 8.28 organization's fiscal year completed in calendar year 2001, three percent;

8.29 (iii) for sales made on or after July 1, 2003, and on or before June 30, 2004, for the
 8.30 organization's fiscal year completed in calendar year 2002, four percent; and

8.31 (iv) for sales made in each 12-month period, beginning on July 1, 2004, and each
 8.32 subsequent year, for the organization's fiscal year completed in the preceding calendar
 8.33 year, five percent;

9.1 (2) a municipal board that promotes cultural and arts activities; or

9.2 (3) the University of Minnesota, a state college and university, or a private nonprofit
9.3 college or university provided that the event is held at a facility owned by the educational
9.4 institution holding the event.

9.5 The exemption only applies if the entire proceeds, after reasonable expenses, are used
9.6 solely to provide opportunities for citizens of the state to participate in the creation,
9.7 performance, or appreciation of the arts.

9.8 ~~(b) Tickets or admissions to the premises of the Minnesota Zoological Garden are~~
9.9 ~~exempt, provided that the exemption under this paragraph does not apply to tickets or~~
9.10 ~~admissions to performances or events held on the premises unless the performance or~~
9.11 ~~event is sponsored and conducted exclusively by the Minnesota Zoological Board or~~
9.12 ~~employees of the Minnesota Zoological Garden.~~

9.13 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
9.14 June 30, 2007.

9.15 Sec. 9. **REPEALER.**

9.16 Minnesota Statutes 2006, sections 297A.67, subdivisions 8, 9, 10, 13, 13a, 14, 15,
9.17 16, and 17; and 297A.70, subdivision 12, are repealed.

9.18 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
9.19 June 30, 2007.

297A.67 GENERAL EXEMPTIONS.

Subd. 8. **Clothing.** (a) Clothing is exempt. For purposes of this subdivision, "clothing" means all human wearing apparel suitable for general use.

(b) Clothing includes, but is not limited to, aprons, household and shop; athletic supporters; baby receiving blankets; bathing suits and caps; beach capes and coats; belts and suspenders; boots; coats and jackets; costumes; children and adult diapers, including disposable; ear muffs; footlets; formal wear; garters and garter belts; girdles; gloves and mittens for general use; hats and caps; hosiery; insoles for shoes; lab coats; neckties; overshoes; pantyhose; rainwear; rubber pants; sandals; scarves; shoes and shoe laces; slippers; sneakers; socks and stockings; steel-toed boots; underwear; uniforms, athletic and nonathletic; and wedding apparel.

(c) Clothing does not include the following:

- (1) belt buckles sold separately;
- (2) costume masks sold separately;
- (3) patches and emblems sold separately;
- (4) sewing equipment and supplies, including but not limited to, knitting needles, patterns, pins, scissors, sewing machines, sewing needles, tape measures, and thimbles;
- (5) sewing materials that become part of clothing, including but not limited to, buttons, fabric, lace, thread, yarn, and zippers;
- (6) clothing accessories or equipment;
- (7) sports or recreational equipment; and
- (8) protective equipment.

Clothing also does not include apparel made from fur if a uniform definition of "apparel made from fur" is developed by the member states of the Streamlined Sales and Use Tax Agreement.

For purposes of this subdivision, "clothing accessories or equipment" means incidental items worn on the person or in conjunction with clothing. Clothing accessories and equipment include, but are not limited to, briefcases; cosmetics; hair notions, including barrettes, hair bows, and hairnets; handbags; handkerchiefs; jewelry; nonprescription sunglasses; umbrellas; wallets; watches; and wigs and hairpieces. "Sports or recreational equipment" means items designed for human use and worn in conjunction with an athletic or recreational activity that are not suitable for general use. Sports and recreational equipment includes, but is not limited to, ballet and tap shoes; cleated or spiked athletic shoes; gloves, including, but not limited to, baseball, bowling, boxing, hockey, and golf gloves; goggles; hand and elbow guards; life preservers and vests; mouth guards; roller and ice skates; shin guards; shoulder pads; ski boots; waders; and wetsuits and fins. "Protective equipment" means items for human wear and designed as protection of the wearer against injury or disease or as protection against damage or injury of other persons or property but not suitable for general use. Protective equipment includes, but is not limited to, breathing masks; clean room apparel and equipment; ear and hearing protectors; face shields; finger guards; hard hats; helmets; paint or dust respirators; protective gloves; safety glasses and goggles; safety belts; tool belts; and welders gloves and masks.

Subd. 9. **Baby products.** Baby bottles and nipples, pacifiers, teething rings, and infant syringes are exempt.

Subd. 10. **Caskets; vaults.** Caskets and burial vaults for human burial are exempt.

Subd. 13. **Textbooks.** Textbooks that are prescribed for use in conjunction with a course of study in a school, college, university, and private career school to students who are regularly enrolled at such institutions are exempt. For purposes of this subdivision (1) a "school" is as defined in section 120A.22, subdivision 4; and (2) "private career school" means a school licensed under section 141.25.

Subd. 13a. **Instructional materials.** Instructional materials, other than textbooks, that are prescribed for use in conjunction with a course of study in a postsecondary school, college, university, or private career school to students who are regularly enrolled at such institutions are exempt. For purposes of this subdivision, "instructional materials" means materials required to be used directly in the completion of the course of study, including, but not limited to, interactive CDs, tapes, and computer software.

Instructional materials do not include general reference works or other items incidental to the instructional process such as pens, pencils, paper, folders, or computers. For purposes of this subdivision, "school" and "private career school" have the meanings given in subdivision 13.

Subd. 14. **Computers prescribed for use by school.** Computers and related computer software sold by a school, college, university, or private career school to students who are enrolled at the institutions are exempt if:

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(1) the use of the computer, or of a substantially similar model of computer, and the related computer software is prescribed by the institution in conjunction with a course of study; and

(2) each student of the institution, or of a unit of the institution in which the student is enrolled, is required by the institution to have such a computer and related software as a condition of enrollment.

For the purposes of this subdivision, "school" and "private career school" have the meanings given in subdivision 13.

Subd. 15. **Residential heating fuels.** Residential heating fuels are exempt as follows:

(1) all fuel oil, coal, wood, steam, hot water, propane gas, and L.P. gas sold to residential customers for residential use;

(2) for the billing months of November, December, January, February, March, and April, natural gas sold for residential use to customers who are metered and billed as residential users and who use natural gas for their primary source of residential heat; and

(3) for the billing months of November, December, January, February, March, and April, electricity sold for residential use to customers who are metered and billed as residential users and who use electricity for their primary source of residential heat.

Subd. 16. **Residential water services.** Water services for residential use are exempt regardless of how the services are billed.

Subd. 17. **Feminine hygiene products.** Sanitary napkins, tampons, or similar items used for feminine hygiene are exempt.

297A.70 EXEMPTIONS FOR GOVERNMENTS AND NONPROFIT GROUPS.

Subd. 12. **YMCA, YWCA, and JCC memberships.** The sale of memberships, meaning both onetime initiation fees and periodic membership dues, to an association incorporated under section 315.44 or an organization defined under section 315.51, are exempt. However, all separate charges made for the privilege of having access to and the use of the association's sports and athletic facilities are taxable.