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State of Minnesota
HOUSE OF REPRESENTATIVES

**EIGHTY-FIFTH
SESSION**

HOUSE FILE No. 3395

February 25, 2008

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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 taxation; modifying the exemption for light rail transit vehicle and
1.3 repair parts and expanding it to the Northstar Corridor rail project; exempting
1.4 purchases for materials and supplies used in the construction of the Central
1.5 Corridor light rail transit and Northstar Corridor rail projects; amending
1.6 Minnesota Statutes 2006, sections 297A.70, subdivision 2; 297A.71, by adding
1.7 subdivisions; 297A.75.

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

1.9 Section 1. Minnesota Statutes 2006, section 297A.70, subdivision 2, is amended to
1.10 read:

1.11 Subd. 2. **Sales to government.** (a) All sales, except those listed in paragraph (b),
1.12 to the following governments and political subdivisions, or to the listed agencies or
1.13 instrumentalities of governments and political subdivisions, are exempt:

1.14 (1) the United States and its agencies and instrumentalities;

1.15 (2) school districts, the University of Minnesota, state universities, community
1.16 colleges, technical colleges, state academies, the Perpich Minnesota Center for Arts
1.17 Education, and an instrumentality of a political subdivision that is accredited as an
1.18 optional/special function school by the North Central Association of Colleges and Schools;

1.19 (3) hospitals and nursing homes owned and operated by political subdivisions of
1.20 the state of tangible personal property and taxable services used at or by hospitals and
1.21 nursing homes;

1.22 (4) the Metropolitan Council or the Department of Transportation, for its purchases
1.23 of vehicles and repair parts to equip operations provided for in ~~section~~ sections 174.90 and
1.24 473.4051, including, but not limited to, the Northstar Corridor rail project;

2.1 (5) other states or political subdivisions of other states, if the sale would be exempt
2.2 from taxation if it occurred in that state; and

2.3 (6) sales to public libraries, public library systems, multicounty, multitype library
2.4 systems as defined in section 134.001, county law libraries under chapter 134A, state
2.5 agency libraries, the state library under section 480.09, and the Legislative Reference
2.6 Library.

2.7 (b) This exemption does not apply to the sales of the following products and services:

2.8 (1) building, construction, or reconstruction materials purchased by a contractor
2.9 or a subcontractor as a part of a lump-sum contract or similar type of contract with a
2.10 guaranteed maximum price covering both labor and materials for use in the construction,
2.11 alteration, or repair of a building or facility;

2.12 (2) construction materials purchased by tax exempt entities or their contractors to
2.13 be used in constructing buildings or facilities which will not be used principally by the
2.14 tax exempt entities;

2.15 (3) the leasing of a motor vehicle as defined in section 297B.01, subdivision 5,
2.16 except for leases entered into by the United States or its agencies or instrumentalities; or

2.17 (4) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause
2.18 (2), and prepared food, candy, and soft drinks, except for lodging, prepared food, candy,
2.19 and soft drinks purchased directly by the United States or its agencies or instrumentalities.

2.20 (c) As used in this subdivision, "school districts" means public school entities and
2.21 districts of every kind and nature organized under the laws of the state of Minnesota, and
2.22 any instrumentality of a school district, as defined in section 471.59.

2.23 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
2.24 made after January 1, 2007.

2.25 Sec. 2. Minnesota Statutes 2006, section 297A.71, is amended by adding a subdivision
2.26 to read:

2.27 **Subd. 40. Construction materials; Central Corridor light rail transit.** Materials
2.28 and supplies used or consumed in, and equipment incorporated into, the construction
2.29 or improvement of the Central Corridor light rail transit line and associated facilities
2.30 including, but not limited to, stations, park-and-ride facilities, and maintenance facilities,
2.31 are exempt. The tax must be imposed and collected as if the rate under section 297A.62,
2.32 subdivision 1, applied and then refunded in the manner provided in section 297A.75.

2.33 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
2.34 made after January 1, 2007.

3.1 Sec. 3. Minnesota Statutes 2006, section 297A.71, is amended by adding a subdivision
3.2 to read:

3.3 Subd. 41. **Construction materials; Northstar Corridor rail project.** Materials
3.4 and supplies used or consumed in, and equipment incorporated into, the construction or
3.5 improvement of the Northstar Corridor rail project and associated facilities by a public
3.6 entity or under a contract with a public entity including, but not limited to, track and signal
3.7 improvements, stations, park-and-ride facilities, and maintenance facilities, are exempt.
3.8 The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1,
3.9 applied and then refunded in the manner provided in section 297A.75.

3.10 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
3.11 made after January 1, 2007.

3.12 Sec. 4. Minnesota Statutes 2006, section 297A.75, is amended to read:

3.13 **297A.75 REFUND; APPROPRIATION.**

3.14 Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the
3.15 following exempt items must be imposed and collected as if the sale were taxable and the
3.16 rate under section 297A.62, subdivision 1, applied. The exempt items include:

- 3.17 (1) capital equipment exempt under section 297A.68, subdivision 5;
- 3.18 (2) building materials for an agricultural processing facility exempt under section
3.19 297A.71, subdivision 13;
- 3.20 (3) building materials for mineral production facilities exempt under section
3.21 297A.71, subdivision 14;
- 3.22 (4) building materials for correctional facilities under section 297A.71, subdivision
3.23 3;
- 3.24 (5) building materials used in a residence for disabled veterans exempt under section
3.25 297A.71, subdivision 11;
- 3.26 (6) elevators and building materials exempt under section 297A.71, subdivision 12;
- 3.27 (7) building materials for the Long Lake Conservation Center exempt under section
3.28 297A.71, subdivision 17;
- 3.29 (8) materials, supplies, fixtures, furnishings, and equipment for a county law
3.30 enforcement and family service center under section 297A.71, subdivision 26;
- 3.31 (9) materials and supplies for qualified low-income housing under section 297A.71,
3.32 subdivision 23;
- 3.33 (10) materials, supplies, and equipment for municipal electric utility facilities under
3.34 section 297A.71, subdivision 35;

4.1 (11) equipment and materials used for the generation, transmission, and distribution
4.2 of electrical energy and an aerial camera package exempt under section 297A.68,
4.3 subdivision 37; ~~and~~

4.4 (12) tangible personal property and taxable services and construction materials,
4.5 supplies, and equipment exempt under section 297A.68, subdivision 41-; and

4.6 (13) materials, supplies, and equipment for construction or improvement of projects
4.7 and facilities under section 297A.71, subdivisions 40 and 41.

4.8 Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the
4.9 commissioner, a refund equal to the tax paid on the gross receipts of the exempt items
4.10 must be paid to the applicant. Only the following persons may apply for the refund:

4.11 (1) for subdivision 1, clauses (1) to (3), the applicant must be the purchaser;

4.12 (2) for subdivision 1, clauses (4), (7), and (8), the applicant must be the governmental
4.13 subdivision;

4.14 (3) for subdivision 1, clause (5), the applicant must be the recipient of the benefits
4.15 provided in United States Code, title 38, chapter 21;

4.16 (4) for subdivision 1, clause (6), the applicant must be the owner of the homestead
4.17 property;

4.18 (5) for subdivision 1, clause (9), the owner of the qualified low-income housing
4.19 project;

4.20 (6) for subdivision 1, clause (10), the applicant must be a municipal electric utility or
4.21 a joint venture of municipal electric utilities; ~~and~~

4.22 (7) for subdivision 1, clauses (11) and (12), the owner of the qualifying business-; and

4.23 (8) for subdivision 1, clause (13), the applicant must be the governmental entity that
4.24 owns or contracts for the project or facility.

4.25 Subd. 3. **Application.** (a) The application must include sufficient information
4.26 to permit the commissioner to verify the tax paid. If the tax was paid by a contractor,
4.27 subcontractor, or builder, under subdivision 1, clause (4), (5), (6), (7), (8), (9), (10),
4.28 (11), ~~or~~ (12), or (13), the contractor, subcontractor, or builder must furnish to the refund
4.29 applicant a statement including the cost of the exempt items and the taxes paid on the
4.30 items unless otherwise specifically provided by this subdivision. The provisions of
4.31 sections 289A.40 and 289A.50 apply to refunds under this section.

4.32 (b) An applicant may not file more than two applications per calendar year for
4.33 refunds for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

4.34 Subd. 4. **Interest.** Interest must be paid on the refund at the rate in section 270C.405
4.35 from 90 days after the refund claim is filed with the commissioner for taxes paid under
4.36 subdivision 1.

5.1 Subd. 5. **Appropriation.** The amount required to make the refunds is annually
5.2 appropriated to the commissioner.

5.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.