
Government - Local Governments Industry Guide

This information describes the sales and use tax topics related to local governments. Use the links in the Guide Menu to see information about that topic.

What's New

Starting July 1, 2021, supplies and materials used in and equipment incorporated into the construction, remodeling, improvement, or expansion of fire and police stations, including their related facilities, owned by a local government are exempt from sales tax.

See [Other Government Exemptions](https://www.revenue.state.mn.us/guide/other-government-exemptions). <https://www.revenue.state.mn.us/guide/other-government-exemptions>

Local Government Definition

Local governments include:

- Cities (statutory or home rule charter)
- Counties
- Townships (towns)

Local Government Exemption

The local government exemption is available to the following:

- **Special districts:** Public entities with a special or limited purpose that is created or authorized by law. They are financed by property tax revenues or other public funds that are not included in a city, county, or town financial report as a component of that local government. For more information, see [Minnesota Statutes 6.465](#).
- **Instrumentality of a statutory or home rule charter city, county, or township:** An instrumentality having independent policy making and appropriate authority. For more information, see [Minnesota Statutes 471.59](#).
- **Joint powers board or organization:** Two or more governmental units, through action of their governing bodies, adopt a joint powers agreement to issue bonds or obligations to carry out the purposes of the law under which the bonds or obligations are issued. For more information, see [Minnesota Statutes 471.59](#).

These entities must review their own charter to determine if they are organized as described to qualify for the local government exemption.

Sales of Goods and Services

Local governments generally provide nontaxable services to the public. However, some sales are taxable.

Taxable Sales

You must charge sales tax if you sell taxable goods or services unless an exemption applies. Do not pay sales tax when you purchase goods and services for resale. Instead, give your supplier a completed [Form ST3, Certificate of Exemption](#). Specify the resale exemption. <https://www.revenue.state.mn.us/sites/default/files/2019-07/st3.pdf>

Examples include, but are not limited to:

- [Admissions](#) and membership to athletic facilities, recreational areas, or places of amusement

- Admissions to city or county parks
- Admissions to community centers with athletic or recreational facilities
- Books and informational brochures
- Campground fees
- Copies (unless required to be furnished by law)
- Equipment rentals (canoes, golf carts, tables and chairs)
- Fees to fax a document
- Golf membership and green fees
- Maps
- Vending machine sales including prepared food, soft drinks, candy, and dietary supplements

Examples of taxable services include, **but** are not limited to:

- Alarm monitoring services
- Lawn mowing, tree trimming, stump removal, and spraying services
- Parking charges, except residential or meters
- Towing charges, including administrative fees
- Utilities such as electricity, steam, gas, communications, and commercial water

Waste Management Services

Waste management services are not subject to sales tax, but are subject to Solid Waste Management Tax. This tax is reported on your sales tax return. Bags and stickers are subject to this tax.

Nontaxable Sales

The following are examples of nontaxable sales:

- Copies required to be furnished by law (Minnesota Data Practices Act)
- Educational lessons
- Meals and drinks when furnished, prepared, or served to
 - Patients at hospitals, sanitariums, nursing homes, or senior homes as part of routine care and included in the facilities charge
 - Anyone on Pre K-12 school premises
 - Inmates or residents at correctional, detention, or detox facilities
- Notary services
- Permit fees
- Pet licenses
- Primary residential heating during winter months
- Residential water and sewer services
- Security or detective services by an off-duty peace officer within the jurisdiction the peace officer normally serves

County Agricultural Society Sales Exemption

Starting July 1, 2019, sales made by a county agricultural society on the fairgrounds during its regularly scheduled county fair are exempt from sales tax. Sales made before or after the county fair are not exempt. Sales made on property not owned by the county agricultural society are not exempt.

Purchases

Purchases made by local governments (city, county, or town) are generally not taxable. Purchases must be billed to and paid for by the local government.

Purchases made by government officials and employees are taxable, even if reimbursed.

Nontaxable Purchases

Purchases to provide the following goods and services are not taxable:

- Administration of housing programs
- Ambulance and public safety services
- Cemeteries
- Chore and homemaking services for elderly or disabled residents
- Correctional services
- Hospitals and nursing homes
- Housing facilities
- Ice arenas
- Licensing services (deputy registrar)
- Local festivals and fairs
- Public use/Municipal airports
- Public transit
- Road and street maintenance and lighting
- Sewer and water services
- Wastewater treatment service

To purchase items to provide these services exempt from tax, you must give the seller a completed Form ST3, Certificate of Exemption, at the time of purchase.

Examples of exempt inputs include:

- Cleaning and maintenance of buildings
- Lawn care and tree removal services
- Construction equipment that is not licensed for road use
- Most firefighting, police, and emergency equipment
- Office supplies, computers, software, printers, furniture
- Other vehicles that are not licensed for road use, such as aircraft, snowmobiles, and watercraft
- Road-building materials and the delivery of aggregate materials
- Utilities, chemicals, and fuels

Taxable Purchases

Purchases to provide the following goods and services are taxable and do not qualify for the local government exemption:

- Cafes
- Campgrounds
- Gas and electric utilities (the Capital Equipment Exemption may apply, see Miscellaneous Exemptions)
- Golf courses
- Laundromats
- Liquor stores
- Marinas
- Landfills (machinery and equipment used directly for mixed municipal solid waste management service at the landfill may be exempt)
- Solid waste hauling
- Solid waste recycling (certain equipment used at a resource recovery facility may be exempt)

Purchases of the following goods and services also remain taxable:

- Construction materials for buildings or facilities which are not principally used by the local government
- Construction materials and supplies purchased by a contractor or subcontractor under a lump-sum contract, see Construction Contracts section below.
- Lodging

- Prepared food, candy, soft drinks, and alcoholic beverages, see exceptions under [Other Government Exemptions](#)
- Inputs to taxable services/activities as listed above
- Leases of motor vehicles
- Motor vehicles, see exceptions under [Other Government Exemptions](#)
- Employee purchases (even if reimbursed by the local government)

Purchases subject to other taxes, such as the solid waste management tax or petroleum tax

Multiple-Use Purchases

Some purchases may be used to provide both qualifying and non-qualifying goods and services.

In these cases, the local government entity may allocate the purchase total and pay use tax on the taxable portion. You must use a reasonable method of allocation and keep business records that clearly identify how you determined the tax.

Example

A city purchases office supplies for all of its agencies. Some of the supplies are used to provide services that qualify for the exemption, such as housing or public safety; some are used to provide services that do not qualify for the exemption, such as a city-owned liquor store or golf course.

The city may allocate what portion of the purchase is used for non-qualifying services. That portion is taxable and the city owes use tax on that amount.

Construction Contracts

Local governments are generally exempt from sales tax on purchases of construction materials for their own use. However, this exemption does not apply to materials purchased by a contractor under a lump-sum contract that includes both labor and materials.

Contractors must pay sales or use tax on the cost of all materials, supplies, and equipment to complete the construction contract unless they are authorized to act as the local government's purchasing agent. A valid purchasing agent agreement is a written contract that must clearly show all of the following:

- That the local government authorized the contractor as the purchasing agent.
- That the local government took title to all materials and supplies at the point of delivery.
- That the local government is responsible for the risk of loss for all materials and supplies.
- That the local government, not the purchasing agent, is responsible for all defective materials and supplies, including those incorporated into real property.

Note: These requirements apply to both the primary contractor and subcontractors who supply both materials and labor.

For more information, see:

- [Contractors and Other Property Installers](#)
- [Revenue Notice 17-10, Construction Contracts with Exempt Entities](#)

Other Government Exemptions

Generally, local governments and other local government entities, qualify for exemptions.

Local government entities include:

- Local municipalities
- Most local government instrumentalities
- Political subdivisions
- Commissions

- Special districts
- Government boards

Capital Equipment and Industrial Production Exemptions

Materials used or consumed in producing electricity and treating water for sale at retail are not taxable. Machinery and equipment used for 50 percent or more of its operating time to create a tangible product for retail sale may not be taxable.

For more information, see:

- [Capital Equipment](#)
- [Industrial Production](#)

Correctional Facilities

Construction materials and supplies used to build or improve an adult or juvenile correctional facility are eligible for a refund of sales tax paid. To qualify for a refund, the project must be required by state or federal law, rule, or regulation. If a contractor or builder buys materials, they must give the local government a statement that lists the cost of materials and the sales tax paid.

The local government must pay tax on the materials and supplies; a purchasing agent agreement is not allowed. For more information, see [Revenue Notice 98-01, Materials Used to Construct or Improve Correctional Facilities](#).

To request a refund of sales tax paid, use [Form ST11, Sales and Use Tax Refund Request](#).

Correctional Facility Meals and Drinks

Meals and drinks furnished, prepared, or served to inmates or persons residing at correctional detention or detoxification facilities are not taxable. However, sales by cafeterias, coffee shops, candy stands, or vending machines are taxable when sold to residents or patients.

Landfills (Solid Waste Disposal Facilities)

Machinery and equipment used directly for mixed municipal solid waste management services at the landfill are exempt from sales tax. This exemption does not include motor vehicles.

Wastewater Treatment Facilities

Equipment designed to process, dewater, and recycle bio-solids for wastewater treatment facilities and the installation of that equipment. For more information, see [Revenue Notice 98-17, Biosolids Processing Equipment](#).

Hospitals and Nursing Homes

Hospitals and nursing homes owned and operated by a local government entity mentioned above are exempt. This exemption includes purchases of meals and snacks provided to patients at hospitals, sanitariums, nursing homes, or senior citizen homes as part of their routine care and included in the facility's charge.

For more information, see [Hospital and Nursing Home Meals](#).

Public Safety Facility Construction

Starting July 1, 2021, supplies and materials used in and equipment incorporated into the construction, remodeling, improvement, or expansion of fire and police stations, including their related facilities, owned by a local government are exempt from sales tax.

Local governments must pay sales tax on qualifying items at the time of purchase and request a refund on [Form ST11, Sales and Use Tax Refund Request](#).

Lawn Care and Tree Removal Services

Mowing or spraying to control or kill weeds under a utility line, in ditches along roads, freeways, and railroad right-of-ways is not taxable unless the area is a lawn or garden.

Tree, bush, shrub, and stump removal services for construction or maintenance of roads, trails, or firebreaks are not taxable. For more information, see [Lawn and Garden Maintenance, Tree and Shrub Services](#).

Motor Vehicle Exemptions

Some transactions are exempt from Motor Vehicle Tax depending on who purchases the vehicle, as listed in the following table.

For these sales, you must keep [Form PS2000, Application to Title/Register a Vehicle](#) on file, showing the exemption code.

There are also limited exemptions for motor vehicles purchased by specific government agencies.

Who is the Purchaser?	They may buy the following vehicles exempt from Motor Vehicle Tax
Ambulance service	Ambulances sold or leased to an ambulance service (public or private) under M.S. 144E.10 , Ambulance service licensing Note: Exemption includes accessory items used to initially equip ambulances and repair and replacement parts for ambulances
Metropolitan Council Transit	Buses (purchased or leased)
Municipal fire department	Fire trucks, pumper trucks, hook and ladder trucks, and clearly marked trailers Note: Exemption includes items used to assemble or initially equip these vehicles or items that are permanently attached to them
Police department	Marked police patrol vehicles Note: Exemption includes accessory items used to initially equip the vehicle
Public or private transit operations	Vehicle used for transit services
Ready-mix producer	Ready-mix concrete trucks
Township	Snow plows, dump trucks, and other motor vehicles used only for road maintenance Note: This exemption does not include automobiles, vans, or pickup trucks. This exemption does not apply to purchases by other local governments.
Volunteer fire department	Fire trucks, pumper trucks, hook and ladder trucks, trailers, or components to assemble these vehicles Note: Exemption includes components to assemble these vehicles and accessories, replacement parts, and repair parts

For more information, see:

- [Emergency Services](#)
- [Motor Vehicle Industry Guide](#)

Miscellaneous Exemptions

Some items and services are exempt from sales tax depending on who purchases the item or service, as listed in the following table.

Exemption	Requirements	Who does the exemption apply to?
Bullet resistant body armor	It must provide the wearer with ballistic and trauma protection. Note: The exemption does apply to helmets.	State agencies, local government entities, and licensed peace officers as defined in <u>M.S. 626.84, subd. 1.</u>
Chore and homemaking services	The services must be provided to elderly or disabled individuals.	Local government entities.
Firefighter personal protective equipment	Clothing, canister filter masks, personal alert safety systems, OSHA required equipment, helmets, goggles, and face shields as defined in <u>M.S. 297A.70 subd. 3(b).</u> Note: The exemption does not apply to fire extinguishers and foam. Refilling, checking and tagging fire extinguisher services are not taxable.	Volunteer fire departments, municipal fire departments, fire protection districts, or a fire company that provides fire protection to the state or local government entity.
Monitoring and electric surveillance	Fees for in-home detention monitoring are exempt if they are required by court order or the Minnesota Department of Corrections at the direction of a county.	Not applicable.
Petroleum products	Must be used in ambulances, marked police vehicles, fire apparatus, fire-suppression support vehicles (identifiable and not required to register or display number plates), and transit system with required subsidy.	Not applicable.
Removal of trees, bushes, shrubs	Must be for the construction or maintenance of roads, trails, and firebreaks.	State agencies and local government agencies.
Repair and replacement parts for emergency vehicles	Emergency rescue vehicles, fire trucks, and fire apparatus.	Local government agencies.
Solid waste machinery and equipment	For mixed municipal solid waste management services at a solid waste disposal facility. Note: The exemption does not apply to motor vehicles.	Solid Waste Disposal facility as defined in <u>M.S. 115A.03, subd. 10.</u>
Wastewater treatment equipment	The equipment must be designed to process dewater and recycle biosolids. The exemption includes materials incidental to installing the equipment.	Wastewater treatment facilities of a local government entity.

Exemption	Requirements	Who does the exemption apply to?
Transit vehicles and repair parts	Must be used for transit operations as defined in M.S. 174.90 , including, but not limited to, Northstar Corridor Rail project.	Metropolitan Council and the Minnesota Department of Transportation.
Water	Must be used directly in providing public safety services to fight fires or protect property.	Volunteer fire departments, municipal fire departments, fire protection districts, or a fire company that provides fire protection to the state or local government entity.

Local Sales Tax

Local governments do not pay general local sales or use taxes. However, they must pay other types of local taxes, such as restaurant, liquor, and lodging taxes.

For more information, see [Sales to Governments](#).

Note: Local taxes do not apply to direct satellite services.

Imposing a Local Tax

Cities and counties may impose general, special, or transportation local sales and use taxes.

For more information about imposing a local tax, see [Starting a New Local Tax](#) or call us at 651-296-6181.

Filing Returns and Record-Keeping

When filing your return, you must report all sales tax collected and use tax you owe.

Filing Returns

When filing your return, you must report all sales tax collected and use tax you owe.

If you are not registered for sales and use tax, you must contact the Minnesota Department of Revenue and register to collect and report taxes. Call Business Registration at 651-282-5225 or 1-800-657-3605 (toll-free).

For more information, see [Sales Tax Return Due Dates](#).

How to Report Sales and Use Tax

You must file a Sales and Use Tax return online through our e-Services system. For more information, see [Filing Information](#).

Record-Keeping

It is important to keep good records to determine the correct amount of state and local tax you owe.

Your records should include:

- bills, receipts, invoices, cash-register tapes, and any other documents that support the entries in your books
- exemption certificates
- shipping documents
- worksheets used to prepare your tax returns

For more information, see the [Sales and Use Tax Business Guide](#).

Legal References and Resources

The legal references and resources related to the government - local governments industry are listed.

Minnesota Statutes

- [6.465, Definitions Political Subdivision and Special District](#)
- [114E.10, Ambulance service licensing](#)
- [115A.03, subd. 10, Disposal facility](#)
- [168.012, subd. 1, Vehicles exempt from tax, fees, or plate display](#)
- [174.90, Commuter Rail Operation](#)
- [275.066, Special Taxing Districts](#)
- [297A.67, subd. 25, Maintenance of cemetery grounds](#)
- [297A.68, subd. 19, Petroleum products](#)
- [297A.70:](#)
 - [subd. 2, Sales to government](#)
 - [subd. 3, Sales of certain goods and services to governments](#)
 - [subd. 21, County agricultural society sales at county fairs](#)
- [297A.98, Local Governments exempt from local sales taxes](#)
- [297B.03, Exemptions](#)
- [471.59, Joint exercise of powers](#)
- [473.448, Transit assets exempt from tax but must pay assessments](#)
- [626.84, subd. 1, Definitions](#)

Minnesota Rules

- [8130.1200, Subpart 3 Construction contracts with exempt entities](#)

Revenue Notices

- [17-10, Construction Contracts with Exempt Entities](#)
- [12-09, Government Exemptions – Water Used Directly in Providing Fire Protection](#)
- [98-17, Biosolids Processing Equipment](#)
- [98-01, Materials Used to Construct or Improve Correctional Facilities](#)
- [92-19, Application of Tax to Copies](#)

Sales Tax Fact Sheets

- [Capital Equipment](#)
- [Detective and Security Services](#)
- [Exercise Facilities and Health Clubs](#)
- [Health Care Facilities](#)
- [Hospital and Nursing Home Meals](#)
- [Industrial Production](#)
- [Lawn and Garden Maintenance, Tree and Shrub Services](#)
- [Local Sales and Use Taxes](#)
- [Residential Utilities](#)
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Industry Guides

- [Admissions and Amusement Devices](#)
- [Contractors and Other Property Installers](#)
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- Motor Vehicle
- Parking Service Providers
- Pets and Pet Services