

## Federal government

Sales to the federal government and its agencies are not taxable. The federal agency must give the seller a purchase order, payment voucher, work order, or Certificate of Exemption, Form ST-3, to buy exempt from tax. Purchases made by an employee who is reimbursed by the federal government are taxable.

**Meals and lodging** billed directly to and paid for by the federal government and its agencies are not taxable. Meals and lodging billed to an employee who is reimbursed by the federal government are taxable.

### Federal credit cards

Credit cards used by the federal government are taxed as described below. The four-digit prefix identifies the card for "federal" use.

**Travel Cards** - VISA, prefix 4486 or 4716; MasterCard, prefix 5568. Usually used for lodging, meals, and car rentals. The sixth digit of these cards determines whether or not to charge sales tax.

If the **sixth digit is 1, 2, 3, or 4**, purchases using these cards are billed directly to the federal employee, who is reimbursed by the federal government. Purchases made using these cards **are taxable**.

If the sixth digit is **0, 6, 7, 8, or 9**, purchases using these cards are billed directly to and paid for directly by the federal government. Purchases made using these cards are **not taxable**.

**Fleet Cards** - Voyager (VISA), prefix 8699; MasterCard, prefix 5568. Usually used for fuel and maintenance of vehicles, planes, boats, and equipment. Purchases using these cards are billed directly to and paid for directly by the federal government. Purchases made using these cards are **not taxable**.

**Purchase Cards** - VISA, prefix 4486 or 4716; MasterCard, prefix 5568. Usually used for expenses such as computers, furniture, office supplies, services, etc. These cards are billed directly to and paid for directly by the federal government. Purchases made using these cards are **not taxable**.

**Integrated Cards** - A combination of the previous three cards, except one card is used for all types of purchases. The prefixes and the guidelines are the same as listed above. For the items listed under **Travel Cards**, taxability depends on the sixth digit. All purchases of items listed under **Fleet Cards** and **Purchase Cards** are exempt from sales tax.

*The federal government no longer uses American Express credit cards.*

## State government

**Minnesota state agencies** use a Direct Pay Permit. Sellers should not charge them sales tax, because the state pays the tax directly to the Department of Revenue. Purchase orders issued by state agencies include information about their permit, so it is not necessary for vendors to receive a copy of the actual Direct Pay Permit.

**Exceptions:** Most taxable *services* cannot be purchased exempt with a Direct Pay Permit. If you sell any of the following to Minnesota state agencies (or other Direct Pay Permit holders) you must charge **state** sales tax and **local** sales tax, if applicable:

- taxable food or beverages
- lodging and related lodging services
- admissions to places of amusement and athletic events, and use of amusement devices
- motor vehicles (purchases only)
- services listed in M.S. Section 297A.01, Subd. 3(g) to (k). These services include:
  - cable television
  - parking
  - laundry and dry cleaning
  - motor vehicle washing, waxing, and cleaning
  - massages
  - building cleaning, maintenance, and exterminating
  - detective and security
  - pet grooming and kennel
  - lawn care
  - memberships to sports and athletic facilities

**Other states and their local governments** - Sales made to other states and local government agencies are exempt if the item would not be taxed if it was purchased in their home state. This exemption *does not* apply to sales of food, beverages and lodging.

## Local governments

Local governments (except those entities listed in the next sections) must pay **state** sales tax. Local governments include cities, counties, political subdivisions, commissions, special districts and governmental boards. Charge state tax to a local government just as if it were a private company or individual customer. Request Fact Sheet 143, *Cities, Counties and Other Local Governments*, for more detailed information.

Local governments *are not required to pay local general sales taxes*. They are required to pay other special restaurant, liquor or lodging taxes imposed by local governments.

### **Exempt local governments**

The following local government entities are exempt from sales or use tax on purchases of items and services. The exemption does not apply to meals, lodging, and leases or rentals of most motor vehicles, including the 6.2% additional tax and 3% fee on rented vehicles.

- **School districts**, the University of Minnesota, state universities, community colleges, technical colleges, state academies, the **Perpich Center for Arts Education**, and any instrumentality of a political subdivision that is accredited as an optional/special function school by the North Central Association of Colleges and Schools. Request Fact Sheet 111, *Schools – Sales and Purchases*.
- **Hospitals and nursing homes** owned and operated by a local government.
- **Public libraries**. Request Fact Sheet 139, *Libraries*.

### **Limited exemptions**

- **Sales to ambulance services** owned and operated by local governments (including paramedics) of supplies and equipment used in the course of providing medical care are exempt. Motor vehicle repair and replacement parts are also exempt. Request Fact Sheet 125, *Motor Vehicles*.
- **Sales of biosolids processing equipment** designed to process, dewater and recycle biosolids for wastewater treatment facilities of political subdivisions and materials incidental to installation of that equipment are not taxable. See Revenue Notice 98-17, *Biosolids Processing Equipment*.
- **Sales of petroleum products to transit systems** receiving financial assistance under the public transit subsidy program or metro transit subsidy program are exempt from sales tax.
- **Sales of fuel** to state or local governments for use in marked police vehicles, ambulances, and fire apparatus are exempt from sales tax.
- **Sales of motor vehicles** such as ambulances, fire trucks, and marked police patrols are not taxable. Bookmobiles and delivery vehicles purchased by a library are not taxable. Request Fact Sheet 125, *Motor Vehicles*, Fact Sheet 135, *Fire Fighting Equipment* and Fact Sheet 139, *Libraries*.
- **Sales to a town** of gravel, machinery, equipment and accessories used exclusively for road and bridge maintenance are not taxable. See Revenue Notice 99-16, *Sales Tax Exemption For Towns*.

The exempt local government must give the seller a purchase order, payment voucher, work order, or Certificate of Exemption, Form ST-3, to buy these items exempt from tax.

### **Foreign consular officials**

The U.S. Department of State's Office of Foreign Missions issues sales tax exemption cards to qualifying foreign diplomats and consular personnel stationed in this country. The card contains the official's picture, name, description, individual tax exemption number and information about the extent of the exemption.

Ask to see the consular official's ID card. Check the information on the back of the card to see if the sale qualifies for exemption. Some cards will state that the official must pay sales tax on charges for hotel rooms or on purchases under a certain dollar amount. You may also ask to see additional forms of identification. If the official qualifies for the exemption, write the individual tax exemption number from the back of the card on the billing or sales invoice. Keep this in your file as proof of exemption.

#### **Local sales and use taxes**

The Minnesota Department of Revenue administers and collects local sales and use taxes on behalf of the local governments listed below. All local taxes are in addition to the state general sales and use tax. Local taxes are explained in more detail in Fact Sheet 164, *Local Sales and Use Taxes* and Fact Sheet 164S, *Special Local Taxes*, *Minneapolis, Rochester, St. Cloud*.

- 1.0% sales and use tax: Cook County
- 0.5% sales and use tax: **Hermantown**, Mankato, Minneapolis, Proctor, Rochester, St. Paul, **Two Harbors**, Willmar, Winona
- 0.5% sales and use tax: New Ulm, begins April 1, 2001.

Duluth administers its own sales and use tax. For more information, contact Duluth Sales Tax, 105 City Hall, Duluth, MN 55802, phone 218-723-3271.

#### **References**

M.S. 297A.01, Subd. 3 (g) to (k), Definitions  
M.S. 297A.213, Direct payment by purchasers permitted  
M.S. 297A.25, Subd. 11, Sales to government  
M.S. 297A.25, Subd. 73, Biosolids processing equipment  
Revenue Notice, 96-06, Exempt Entities  
Revenue Notice, 98-17, Biosolids Processing Equipment  
Revenue Notice, 99-16, Sales Tax Exemption for Towns

**Sales and use tax recodification.** A bill was passed to recodify the sales and use tax law effective July 1, 2001. This restructures and clarifies the law, but does not change the meaning of the law. For more information, call our office or go on line to:

<http://www.house.leg.state.mn.us/comm/taxes/taxeshome.htm>

*This fact sheet is a tax information bulletin intended to help you become more familiar with Minnesota tax laws and your rights and responsibilities under the tax laws. Nothing contained in this fact sheet supersedes, alters, or otherwise changes any provisions of the Minnesota tax laws, administrative rules, court decisions, or revenue notices.*