

Minnesota revenue notice

Revenue Notice # 92-17 Sales and Use Tax--Taxability of Public Library Purchases

(Update: Revenue Notice #92-17 has been revoked by Revenue Notice #98-22.)

General Rule

Since June 1, 1992, a new law states that sales to libraries that are operated by counties, cities, or local municipalities and townships, are subject to the sales and use tax. The new law allows an exemption for purchases of books, periodicals, audio-visual materials and equipment, photocopiers for use by the public, all cataloging and circulation equipment, and cataloging and circulation software. Following are some guidelines to help libraries determine what is taxable.

Application

Audio-visual equipment and repair parts

Audio-visual materials and equipment are exempt from the sales tax. However, parts the library purchases to repair audio-visual equipment are taxable.

Bibliographic information on compact discs

The purchase of compact discs that contain the bibliographic information and are used in the library's computers for cataloging purposes are exempt.

Blank video cassettes

The purchase of blank video cassettes are exempt provided the cassettes became part of the library's collection. If the cassettes are used for administrative purposes such as training, the tapes are taxable.

Books, periodicals, etc.

The purchase or rental of items that become part of the library's collection and that are available to the public can be purchased exempt. The items that can be purchased exempt include books, periodicals, toys, puzzles, records, tapes, and films.

Cataloging and circulation equipment and software

All equipment and software used for cataloging and circulation of collection items is exemption from the sales and use tax.

Change machines

There is no tax due on the change machines located in a library.

Coin-operated typewriters

The gross receipts from a coin-operated typewriter are subject to sales tax. If the library owns the typewriter, the library should remit the tax. If the typewriter is owned by a vendor who collects the revenue from the typewriter, the vendor should remit the tax to the state.

Computers

The purchase of computers used for circulation, cataloging, and acquisitions are exempt. Computers purchased for other purposes are taxable.

Furniture and workstations

All purchases of furniture are taxable. The purchase of workstations are taxable since they are considered to be furniture.

Machines and tools

Machines and tools that a library uses to apply the processing materials are taxable. Examples are laminating machines, binding machines, tape dispensers, and scissors.

All supplies, forms, cables and small tools used for the automated circulation systems are subject to the tax.

Our Friends groups

If the Our Friends groups have been granted exempt status by the Department of Revenue, they may purchase items that they donate to the library, exempt from the sales tax.

If a taxable item is purchased by a library, the library must pay tax, even if the library is reimbursed by the Our Friends group. Only the items purchased directly by the Our Friends group could be purchased exempt, assuming they had been granted exempt status.

Photocopy machines

Purchases of photocopy machines for use by the public are exempt from the sales and use tax. However, the gross receipts from coin-operated photocopy machines are subject to sales tax.

Processing materials and accessories

Items that are applied to and become part of the library's collection and other items that are lent to the library's clients along with the collection item can be purchased exempt. This includes, but is not limited to, items such as plastic covers for books; bar code labels that are attached to books; laminating materials; tape that is applied to pages; and cases, bags, and containers for records, audio-visuals, puppets, or other items in the library's collection.

Telephone services

The charges for dedicated lines and cellular phones are taxable even though they are used to link the library's circulation system. The law only allows an exemption for cataloging and circulation equipment and the Department has taken the position that this would not extend to phone services.

Training materials

Both the rental and the purchase of training materials by the library for use by library management and staff are taxable.

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