

Minnesota revenue notice #96-6

Sales and Use Tax: Exempt Entities

1. Intergovernmental immunity. The doctrine of intergovernmental immunity, developed by the federal courts in their construction of the federal constitution, precludes the state of Minnesota from imposing a tax upon the federal government, its agencies and instrumentalities.

A. The following corporations are examples of entities whose purchases are exempt from Minnesota sales and use tax: Agricultural Credit Association, American Red Cross, Banks for Cooperatives, Commodity Credit Corporation, Export--Import Bank, Farm Credit Bank, Farm Security Administration, Farmers Home Administration, Farmers Home Corporation, Federal Credit Union, Federal Crop Insurance Corporation, Federal Deposit Insurance Corporation, Federal Farm Mortgage Corporation, Federal Home Loan Bank, Federal Land Bank Association, Federal Land Credit Association, Federal National Mortgage Association, Federal Reserve Bank, Federal Savings and Loan Insurance Corporation, Government National Mortgage Association, National Bank for Cooperatives, Production Credit Association, Reconstruction Finance Corporation, Tennessee Valley Authority, United States Housing Authority, and United States Maritime Commission.

B. A federally chartered bank or savings and loan association is not a federal instrumentality or corporation. (See Section 3).

C. The fact that the expenses of an individual or organization are reimbursed wholly or in part by the federal government does not exempt the taxable items from sales or use tax. Purchases must be billed to and paid for directly by the federal government in order to be exempt. For example, meals and lodging billed to and paid for by the federal government are exempt. Meals and lodging billed to and paid for by a federal employee who is subsequently reimbursed by the federal government are taxable.

D. The federal government is not required to apply for a certificate of exempt status in order to make exempt purchases. Purchase orders, payment vouchers, or other evidence which clearly establish governmental status are sufficient to authorize an exempt purchase.

2. Foreign consuls. Neither sales nor use tax applies to the sale or use of tangible personal property sold to foreign consular officers, employees, or members of their families, to the extent that such persons are immune from the tax. Only sales tax exemption cards issued by the United States Department of State, Office of Foreign Missions, must be accepted and no other proof of exemption may be honored. A vendor making tax exempt sales to a consular official must enter the name of the purchaser and the number of the identification card on the invoice. This evidence must be retained by the retailer to support any deduction claimed on a sales tax return for sales to foreign consuls.

The extent of the exemption is determined by the exemption the consular official's country provides to United States personnel stationed there. A vendor making a sale must verify that the purchase qualifies for the exemption by checking the information given on the back of the card which indicates the extent of the exemption.

3. Credit unions, banks, and savings and loans.

A. Purchases made by federal credit unions are exempt from sales and use tax. Purchases made by federally chartered banks and savings and loans are subject to sales and use tax. Sales made by both federal credit unions and federally chartered banks and savings and loans are taxable under the provisions of the sales and use tax law.

B. Purchases made by state chartered credit unions, banks, and savings and loans are subject to sales and use tax. Sales made by state chartered credit unions, banks, and savings and loans are taxable under the provisions of the sales and use tax law.

4. Sales by federal government. Sales of tangible personal property or taxable services by the federal government are subject to tax, except as they may otherwise be exempted. Purchasers of tangible personal property or services from the federal government must report and remit use tax on taxable purchases if the sales tax was not collected.

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Patricia A. Lien
Assistant Commissioner for Tax Policy