

MINNESOTA DEPARTMENT OF REVENUE

Modification of Revenue Notice #96-10

Revenue Notice #96-10: Sales and Use Tax – Capital Equipment – Lease Renewal or Buyout*

*With modifications shown (see “Key” below).

Introduction

Minnesota Statutes, section 297A.~~6825~~, subdivision ~~5~~42 provides an exemption from sales and use tax for sales of capital equipment. Procedures for obtaining a refund of taxes paid on capital equipment ~~and replacement capital equipment~~ are found in *Minnesota Statutes*, section 297A.~~7545~~, subdivision ~~5~~. *Minnesota Statutes*, section 297A.~~6804~~, subdivisions ~~16 and 20~~, 5 defines capital equipment as machinery and equipment used by the purchaser or lessee primarily for manufacturing, fabricating, mining, or refining tangible personal property to be sold ultimately at retail, and for electronically transmitting results retrieved by a customer of an on-line computerized data retrieval system.

Previous Position

In the past, the department's position on lease renewals or buyouts was that they were eligible for capital equipment refund only if the lease, as originally signed, included the option for renewal or purchase at the end of the lease term. If the original lease did not include the option for renewal or purchase at the end of the lease term, it qualified for the replacement capital equipment reduction.

New Department Position

If a lease ~~qualified~~ qualifies for the full capital equipment refund, the renewal or buyout of that lease will also be eligible for the full capital equipment refund. The definition of replacement capital equipment refers to, “. . . replacement (of) . . . old equipment” Since there is no old equipment being replaced, the previous department position is no longer supported by statutory language.

Effective Date

The purpose of this notice is to reverse the long-standing position of the department with respect to a lease renewal or buyout that was not a condition of the original. This notice is effective for all lease renewals and buyouts of previously qualifying capital equipment made on or after July 1, ~~1998~~1994.

Dated: August 26, 1996

Published: September 20, 2004

Patricia A. Lion

Assistant Commissioner for Tax Policy

***Key:** Underlining indicates additions to existing Revenue Notice language. Strikeouts indicate deletions from existing Revenue Notice language.

Please see page 2 for a clean, printable copy of this notice as modified.

MINNESOTA DEPARTMENT OF REVENUE

Modification of Revenue Notice #96-10

Revenue Notice #96-10: Sales and Use Tax - Capital Equipment - Lease Renewal or Buyout**

**As modified

Introduction

Minnesota Statutes, section 297A.68, subdivision 5 provides an exemption from sales and use tax for sales of capital equipment. Procedures for obtaining a refund of taxes paid on capital equipment are found in *Minnesota Statutes*, section 297A.75. *Minnesota Statutes*, section 297A.68, subdivision 5 defines capital equipment as machinery and equipment used by the purchaser or lessee primarily for manufacturing, fabricating, mining, or refining tangible personal property to be sold ultimately at retail, and for electronically transmitting results retrieved by a customer of an on-line computerized data retrieval system.

Department Position

If a lease qualifies for the capital equipment refund, the renewal or buyout of that lease will also be eligible for the capital equipment refund.

Effective Date

This notice is-effective for all lease renewals and buyouts of qualifying capital equipment made on or after July 1, 1998.

TERESE M. MITCHELL, Director
Appeals and Legal Services Division
Publication Date: September 20, 2004