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Sales and Use Tax - Sales Tax Exemption for Towns

Effective July 1, 1998, changes to *Minnesota Statutes*, sections 297A.25, subdivision 11, and 297B.03, subdivision 10 provide a sales tax exemption to towns for certain road and bridge maintenance purchases. Specifically, the exemption applies to purchases made by towns of gravel, machinery, equipment, and accessories used exclusively for road and bridge maintenance and certain motor vehicles used exclusively for road maintenance. The exemption only applies to purchases made by towns (previously referred to as townships). The exemption does not extend to purchases made by contractors performing road or bridge maintenance on behalf of a town or to purchases made by other local government entities, such as cities or counties.

A. Gravel

The term "gravel" is defined to include crushed rock, sand, or pebbles. It does not include dirt, clay or soil. Since gravel is often not usable in its virgin state, if the town also pays to have the gravel crushed for use on roads, the charge for crushing the gravel is also exempt from the tax. The exemption does not apply to building materials such as culverts, bridge decking, railings, or structural steel, or road surface materials such as asphalt, concrete, or chloride used as a dust retardant or binder.

B. Machinery and Equipment

The sales tax exemption applies to a town's purchase or lease of machinery and equipment used by a town exclusively for road and bridge maintenance. Machinery and equipment includes off road vehicles, such as graders, roadside mowers and construction signage. The exemption does not apply to fuels or lubricants, office and administrative supplies or equipment, or road signage.

C. Motor Vehicles

Minnesota Statutes, section 297B.03, subdivision 10, provides an exemption from the sales tax on motor vehicles for the purchase or use of a motor vehicle by a town for use exclusively for road maintenance, including snowplows and dump trucks. This exemption does not apply to automobiles, vans, or pickup trucks.

D. Accessories

The sales tax exemption also includes accessories that are attached, connected or fastened to qualifying machinery or equipment, or motor vehicles. Examples of qualifying accessories include front-end loaders, CB radios, tire chains, and on-board computers. In addition, the exemption also applies to repair and replacement parts for the qualifying machinery and equipment.

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