

This Revenue Notice was revoked on November 16, 1998 by Revenue Notice # 98-22.

MINNESOTA DEPARTMENT OF REVENUE

Revenue Notice 91-1: Transitional Periods for Sales and Use Tax Law Changes

Facts: During the 1991 legislative session, a number of changes were made to the sales and use tax laws. The legislature did not include any transitional language to grandfather in existing contracts.

Issue: Will the Commissioner administratively provide any transitional periods for contracts?

Conclusion: The Commissioner will allow a transitional period for enforceable written contracts for the following law changes:

1) Sales Tax Rate Increase (6 percent to 6.5 percent).

- *Construction contracts.* The rate increase does not apply to sales of building materials and supplies made under a bona fide written lump-sum or fixed-price construction contract that has no allocation provision for future taxes. The contract must be executed prior to June 1, 1991, and delivery of the materials and supplies used in performing the contract must be made on or before December 31, 1991.
- *Leases and taxable service contracts.* The rate increase does not apply to payments made for July and August, 1991 for leases of tangible personal property and contracts to provide taxable services if the lease or contract was executed prior to June 1, 1991. The additional .5 percent tax rate applies to payments made for September 1, 1991 and after.

The 6 percent rate applies to bills requiring payment before September 1, 1991 if the monthly billing period is split between August 1991 and September 1991. If payment for the split period is due after September 1, 1991, the additional .5 percent rate applies to the entire payment.

- *Tangible personal property.* The rate increase does not apply to sales made under a contract that was executed before June 1, 1991, if delivery is made before September 1, 1991.
- *Utility sales.* The rate increase does not apply to utility bills that include charges for service for any date before July 1, 1991, if the billing period ends before September 1, 1991. If the billing period includes services both before July 1 and after August 31, 1991, the 6.5 percent tax rate applies to services on or after July 1, 1991.

- *Motor Vehicles.*
 - Any transfers received by deputy registrars or the Department of Public Safety prior to July 1, 1991, will be taxed at the 6 percent rate.
 - Vehicles purchased before July 1, 1991 that are registered on or before July 15, 1991 will be taxed at the 6 percent rate.
 - Transfers received by deputy registrars or the Department of Public Safety after July 15, 1991, will be taxed at the 6.5 percent rate if the vehicle was purchased after May 31, 1991.
 - If a vehicle purchase order contract was signed before June 1, 1991 and the vehicle is delivered by August 31, 1991, the 6 percent rate applies provided the transfer is received by the deputy registrar or the Department of Public Safety on or before September 16, 1991. A copy of the purchase contract or other proof of purchase date must accompany the registration application to show that the contract was entered into prior to June 1, 1991.

2) Isolated/Occasional Sale Exemption Change (Minn. Stat. § 297A.25, subd. 12).

Sales subject to this law change will be exempt if the contract was executed before June 1, 1991, and delivery of the tangible personal property is made before September 1, 1991.

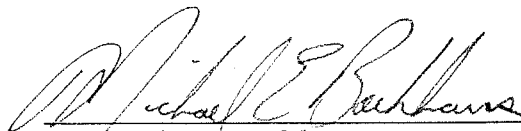
3) Installation of Trees and Shrubs (Minn. Stat. § 297A.01(3)(j)(vi) and § 297A.01(4)).

This transitional period only applies to contracts that solely involve the sale and installation of trees, shrubs, and other plants.

- For contracts executed prior to July 1, 1991, the 6 percent rate applies to the total charge for plants and installation labor if planting is started before July 1, 1991, regardless of when the contract is completed.
- If planting does not start until after June 30, 1991, the contract is considered a construction contract. The contractor must pay 6.5 percent sales tax on the cost of all materials used for the contract.

- 4) Private Communication Services (Minn. Stat. § 297A.01(3)(f); Kenneling Services (Minn. Stat. § 297A.01(3)(j)(ix); and Vehicle Rental Tax (Minn. Stat. § 297A.135).

Sales subject to these law changes will be exempt if the contract was executed before June 1, 1991, and delivery of the services is made before September 1, 1991.



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Director, Appeals and Legal Services

July 8, 1991
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(SUT Admin/TKS)