

Sales to Governments

Sales Tax Fact Sheet 142

What's New in 2017

We updated this fact sheet to clarify that the State of Minnesota (all state agencies) are required to provide sellers with a completed Form ST3, *Certificate of Exemption* or a purchase order containing the equivalent information to purchase items exempt from sales tax. See the State government section.

Federal government

Sales to the federal government and its agencies are not taxable. The federal agency must give the seller a purchase order, payment voucher, work order, or completed Form ST3, *Certificate of Exemption*. Purchases made by an employee who is reimbursed by the federal government are taxable.

Prepared food, drinks, and lodging are not taxable when billed directly to and paid for by the federal government and its agencies. However, prepared food, drinks and lodging billed to an employee are taxable even if reimbursed by the federal government.

Federal credit cards

Federal employees sometimes use government credit cards to make purchases. There are four types of cards.

- Fleet Cards – for purchasing fuel and supplies for government vehicles
- Purchase Cards – for purchasing general supplies and services
- Travel Cards – for paying expenses related to official government travel (airline, hotel, meals, incidentals)
- Integrated Cards – that combine two or more of the above functions into one card

How are federal credit cards identified?

The following 4-digit prefixes identify credit cards issued by the federal government. The prefix is the first group of numbers on the card.

- Visa – 4486, 4614, or 4716 (fleet only)
- MasterCard – 5565 or 5568
- Voyager (fleet only) – 8699
- Wright Express (fleet only) – 5565

When are federal credit card purchases taxable?

To determine if a purchase is taxable, sellers must consider the type of federal credit card and, in some cases, what is being purchased.

- Fleet Card or Purchase Card – do not charge sales tax
- Travel Card – look at the sixth digit of the card; if the sixth digit is:
 - 1, 2, 3, or 4, you must charge sales tax
 - 6,7,8,9, or 0, do not charge sales tax
- Integrated Card – follow the above guidelines for fleet, general, and travel purchases, depending on what is being purchased

State government

Minnesota state agencies use a Direct Pay authorization to pay sales tax directly to the Department of Revenue. State agencies need to provide sellers with one of the following to purchase items exempt from sales tax:

- a completed Form ST3, *Certificate of Exemption*

- A purchase order containing the equivalent information

Exceptions: Minnesota state agencies are not allowed to purchase most services exempt from sales tax. If you sell any of the following to a Minnesota state agency, you must charge general rate sales tax and any applicable local sales taxes on the sale:

- Prepared food or drinks
- Lodging and related lodging services
- Admissions to places of amusement and athletic events, and use of amusement devices
- Motor vehicles (purchases only)
- Services listed in Minnesota Statutes 297A.61, subd. 3(g):
 - Building cleaning and maintenance
 - Exterminating and pest control
 - Detective and security
 - Installation charges for taxable goods (when billed by a third party)
 - Laundry, linen, and dry cleaning
 - Lawn care
 - Massages
 - Memberships to sports and athletic facilities
 - Motor vehicle towing, washing, waxing, and cleaning
 - Parking
 - Pet grooming and kennel

Delivery of aggregate and concrete block

Third-party delivery charges for delivery of aggregate material and concrete block are exempt if the material is used in road construction. (Previously, these charges were taxable.)

For more information, see Revenue Notice 02-17, Taxable Sales – Delivery of Aggregate Materials and Concrete Block.

Cellular phone and pager services

Minnesota state agencies do not purchase cellular phone and pager services, equipment rentals, or other related charges exempt from sales tax. You should collect tax on these services.

Tree, bush, and shrub removal services

Minnesota state agencies and local governments can buy tree, bush, and shrub removal for construction or maintenance of roads, trails, and firebreaks exempt.

Contracts with out-of-state vendors

State agencies and the state Legislature can only buy from vendors who are registered to collect Minnesota Sales and Use Tax. When selling to a state agency or the Legislature, vendors must provide their Minnesota Tax ID Number to show they are registered to collect sales tax in the state.

Note: This does not apply to contracts with Minnesota courts, state colleges, or universities.

Other states and their local governments

Sales to state agencies and local governments outside of Minnesota are exempt if the item would not be taxable in their home state. This exemption does not apply to sales of prepared food, drinks, and lodging.

To claim the exemption, give the seller a completed Form ST3, *Certificate of Exemption*.

Local governments

Local governments include:

- Counties
- Cities
- Townships
- School districts and other municipalities
- Most local government instrumentalities, political subdivisions, commissions, special districts, and government boards

Certain local governments are exempt from paying sales tax on most purchases. They must give the seller a completed Form ST3, *Certificate of Exemption*.

Note: While local governments are exempt from local sales or use taxes, they must pay other types of local taxes, such as restaurant, liquor, or lodging taxes.

For more information, see the Government – Local Governments Industry Guide.

Other government exemptions

Certain purchases are exempt from sales and use tax even if the buyer is not an exempt government.

Ambulance services (public or private) licensed under Minnesota Statutes 144E.10:

- Purchases and leases of motor vehicles used as

ambulances or any motor vehicle that is equipped and specifically intended for emergency response

- Supplies and equipment used to provide medical care
- Repair and replacement parts for ambulances

Bullet-resistant body armor that provides the wearer with ballistic and trauma protection.

Firefighters' personal protective equipment.

Fuel products for use in:

- Ambulances
- Marked police vehicles
- Fire apparatus including fire-suppression support vehicles, if the general appearance is unmistakable and the vehicle is not required to register or display number plates
- Transit systems receiving financial assistance under the Public Transit Subsidy Program or Metro Transit Subsidy Program

Metropolitan Council

- **Metro Transit buses.** Purchases and leases of buses. Repair parts are taxable (until 1/1/2017). For more information, see Fact Sheet 176, Local Governments.
- **Light rail transit.** Purchase of vehicles and repair parts to equip operations provided for in Minnesota Statutes 473.4051.

Monitoring and electronic surveillance of persons placed on in-home detention if these services are:

- required by a court order or the Minnesota Department of Corrections, or
- provided by an organization at the direction of a county.

Tree, bush, and shrub removal services to build or maintain roads, trails, and firebreaks.

Solid waste disposal facility Machinery and equipment, except for motor vehicles, used directly for mixed municipal solid waste management services at the facility (Minnesota Statutes 115A.03, subd. 10).

Transit program vehicles. Purchases or leases of motor vehicles to provide transit services are exempt from sales tax and sales tax on motor vehicles. Vehicles used by public or private transit operations such as city or town buses, and vehicles used to provide special transportation services for the elderly or disabled may also qualify.

To qualify for the exemption, you must be receiving financial assistance or reimbursement under Minnesota Statutes 174.24 or 473.384, or you must operate under Minnesota Statutes 174.29, 473.388, or 473.405.

Wastewater treatment facilities. Equipment designed to process, dewater, and recycle biosolids for wastewater treatment facilities of political subdivisions, and materials incidental to installation of that equipment. For more information see Revenue Notice 98-17, Biosolids Processing Equipment.

Water used directly in providing fire protection

Water used by an organized fire department, fire protection district, or fire company to directly fight fires or protect property.

But water is taxable when used for other purposes, such as flushing hydrants, washing fire trucks or cleaning the fire station.

For more information, see Revenue Notice 12-09, Government Exemptions – Water Used Directly in Providing Fire Protection.

Use tax

Sellers generally charge sales tax at the time of sale. When a seller does not charge sales tax on a taxable purchase, the buyer must pay Minnesota Use Tax unless an exemption applies.

For example, you owe use tax when you buy taxable

items for use in Minnesota from an online retailer who does not charge sales tax on the purchase.

Businesses or government units report use tax when they file their Sales and Use Tax return. For more information, see Fact Sheet 146, *Use Tax for Businesses*.

Foreign Diplomatic and Consular Missions

The U.S. Department of State's Office of Foreign Missions issues sales tax exemption cards to qualifying foreign diplomats and consular personnel stationed in the United States. The card contains the official's picture, name, description, individual tax exemption number, and information about the extent of the exemption.

To claim exemption, the purchaser must present their valid tax-exemption identification card issued by the

Department of State. The vendor must check the information on the card to see if the sale qualifies for exemption. Some cards will state that the official must pay sales tax on charges for prepared food, hotel rooms, or on purchases under a certain dollar amount. If the purchase qualifies, the cardholder must provide a completed Form ST3, *Certificate of Exemption*.

In lieu of an exemption certificate, if the official qualifies for the exemption, write the individual tax exemption number from the card on the billing or sales invoice. Keep this in your file as proof of exemption.

Legal References

Minnesota Statutes 115A.03, Definitions
Minnesota Statutes 144E.10, Ambulance service licensing
Minnesota Statutes 168.012, subd. 1, Vehicles exempt from tax or license fees
Minnesota Statutes 174.24 Public transit participation program
Minnesota Statutes 174.29 Coordination of special transportation service
Minnesota Statutes 297A.61, subd. 3, Definitions
Minnesota Statutes 297A. 67:
 subd. 4, Correctional facilities
 subd. 28, Ambulance supplies, parts, and equipment
Minnesota Statutes 297A.68, subd. 19, Petroleum products
Minnesota Statutes 297A.70:
 subd. 2, Sales to government
 subd. 3, Sales of certain goods and services to governments
 subd. 6, Ambulances
Minnesota Statutes 297A.89, Direct payment by purchasers permitted
Minnesota Statutes 297B.03, Exemptions
Minnesota Statutes 473.384, Contracts
Minnesota Statutes 473.388, Replacement service program
Minnesota Statutes 473.405, Powers
Minnesota Statutes 473.4051, Light rail transit construction and operation
Minnesota Statutes 473.448, Transit assets exempt from tax but must pay assessments

Revenue Notices

96-06, Exempt Entities
98-17, Biosolids Processing Equipment
02-17, Delivery of Aggregate Materials and Concrete Block
12-08, Exemption for Towns
12-09, Government Exemptions – Water Used Directly in Providing Fire Protection

Other Fact Sheets

111, *Schools – Sales and Purchases*
118, *Hospital and Nursing Home Meals*
128, *Contractors*
135, *Fire Fighting, Police, and Emergency Equipment*
139, *Libraries*
146, *Use Tax for Businesses*

Industry Guides

Government – Local Government