Local Governments – Cities, Counties, and Townships

What's New in 2015

A 2015 law change delays for one year (to Jan. 1, 2017) the sales tax exemption for special districts; instrumentality of a statutory or home rule charter city, county, or township; and any joint powers board or organization created under M.S. 471.59.

This fact sheet explains how sales and use tax applies to local governments. Minnesota Statutes (M.S.), section 297A.70, subdivision 2, allows local governments to buy some goods and services without paying sales and use tax.

Local Governments

Definition
For purposes of this exemption, “local governments” means statutory or home rule charter cities, counties, townships (towns), and qualifying cooperative agreements.

Cooperative agreements
Local governments acting under an agreement authorized by statute – such as the Joint Powers Act (M.S. 471.59) – may claim the exemption if:

- the agreement is limited to Minnesota cities, counties, townships, school districts, or some combination of them; and
- the city, county, or town includes financial information for the joint activities in its financial report to the State Auditor.

Note: Local governments acting under a cooperative agreement do not qualify for this exemption if the joint activity financial information was reported to the State Auditor as a “special district” in 2012.

Other areas of government
Under 2015 law change, the local government exemption will become available to additional areas of government.

Starting Jan. 1, 2017, the exemption will become available to:

- Special districts, as defined in M.S. 6.465 (except for the Metropolitan Council)
- Any instrumentality of a statutory or home rule charter city, county, or township as defined in M.S. 471.59
- Any joint powers board or organization created under M.S. 471.59
- Metropolitan Council as defined in M.S. 473.123 to 473.549

Local Government Exemption

Purchases made by local governments (cities, counties and towns) are generally exempt. For example, purchases to provide the following goods and services are exempt:

- Administration of housing programs
- Ambulance and public safety services
- Aquatic facilities
- Cemeteries
- Chore and homemaking services for elderly or disabled residents
- Correctional services
- Farmers markets
- Health and fitness centers

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This fact sheet is intended to help you become more familiar with Minnesota tax laws and your rights and responsibilities under the law. Nothing in this fact sheet supersedes, alters, or otherwise changes any provisions of the tax law, administrative rules, court decisions, or revenue notices. Alternative formats available upon request.