

## ***Minnesota – Sales tax on certain business-to-business transactions repealed, up-front capital equipment exemption delayed***

March 24, 2014

### ***In brief***

Signed by the governor on March 21, 2014, [H.F. 1777](#) repeals several business-to-business Minnesota sales and use tax provisions. For purchases after March 31, 2014, the repair and maintenance of (1) commercial and industrial machinery and equipment, including farm equipment and (2) electronic and precision equipment are exempt from sales and use tax. In addition, the tax on business storage and warehousing services, set to go into effect on April 1, 2014, has been repealed. Effective for purchases made after March 31, 2014, purchases of certain equipment for telecommunication services are exempt. Additionally, the up-front capital equipment exemption has been delayed until July 1, 2015.

### ***In detail***

#### ***Repair and maintenance of commercial and industrial machinery and equipment***

In 2013, Minnesota enacted sales taxes on several business-to-business services, including the service of “repairing and maintaining commercial and industrial machinery and equipment.” This included farm equipment and machinery, manufacturing and production equipment, and other heavy machinery (e.g., cranes, bulldozers, forklifts, etc.).

Effective April 1, 2014, the sales and use tax on such repair and maintenance of equipment is repealed.

#### ***Repair and maintenance of electronic and precision equipment***

In 2013, Minnesota enacted a new sales tax on the service of “repairing and maintaining electronic and precision equipment” to the extent the service was deductible as a federal income tax expense. Such services included:

- repair or maintenance of electronic devices, computers

and computer peripherals, monitors, computer terminals, storage devices, and CD-ROM drives

- other office equipment such as photocopying machines, printers, and facsimile machines
- televisions, stereos, sound systems, video or digital recorders and players; two-way radios and other communications equipment
- radar and sonar equipment, scientific instruments,

microscopes, and medical equipment

Effective April 1, 2014, the sales and use tax on such repair and maintenance of electronic and precision equipment is repealed.

***Business storage and warehousing services***

Minnesota was scheduled to begin subjecting 'warehousing or storage services' to sales and use tax on April 1, 2014. Generally, the tax would have applied to business-related warehousing and storage services for tangible personal property, including all associated logistics services.

Pursuant to H.F. 1777, this tax is repealed.

***Capital equipment up-front exemption delayed until July 1, 2015***

Purchases of certain capital equipment are generally exempt from Minnesota sales and use tax. Purchasers must pay the tax at purchase and request a refund from the Department. This exemption was changed to an up-front exemption starting on September 1, 2014. Pursuant to H.F. 1777, the up-front exemption is being delayed until July 1, 2015.

***The takeaway***

The sales tax changes in H.F. 1777 provide the expected relief from the business-to-business services taxes enacted last year.

The delay in the application of an upfront exemption for capital equipment will require impacted taxpayers to continue to file capital equipment refund claims until July 1, 2015.

***Let's talk***

If you have any questions regarding the Minnesota sales and use tax changes implemented by H.F. 1777, please contact:

***State and Local Tax Services***

Sue Haffield  
Partner, *Minneapolis*  
+1 (612) 596-4842  
[susan.haffield@us.pwc.com](mailto:susan.haffield@us.pwc.com)

Maureen Pechacek  
Partner, *Minneapolis*  
+1 (612) 326-2046  
[maureen.pechacek@us.pwc.com](mailto:maureen.pechacek@us.pwc.com)

Dennis Anding  
Director, *Minneapolis*  
+1 (612) 596-4844  
[dennis.anding@us.pwc.com](mailto:dennis.anding@us.pwc.com)