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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 5333

04/09/2024 Authored by Norris The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; sales and use; modifying sales price for the tax on motor
1.3 vehicle leases for certain leases; amending Minnesota Statutes 2022, section
1.4 297A.815, subdivision 1, by adding a subdivision.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2022, section 297A.815, subdivision 1, is amended to read:

1.7 Subdivision 1. Motor vehicle lease price; payment. (a) In the case of a lease of a motor
1.8 vehicle as provided in section 297A.61, subdivision 4, paragraph (k), clause (2), except as
1.9 provided in subdivision 1a, the tax is imposed on the total amount to be paid by the lessee
1.10 under the lease agreement. The lessor shall collect the tax in full at the time the lease is
1.11 executed or, if the tax is included in the lease and the lease is assigned, the tax is due from
1.12 the original lessor at the time the lease is assigned. The total amount to be paid by the lessee
1.13 under the lease agreement equals the agreed-upon value of the vehicle less manufacturer's
1.14 rebates, the stated residual value of the leased vehicle, and the total value allowed for a
1.15 vehicle owned by the lessee taken in trade by the lessor, plus the price of any taxable goods
1.16 and services included in the lease and the rent charge as provided by Code of Federal
1.17 Regulations, title 12, section 213.4, excluding any rent charge related to the capitalization
1.18 of the tax.

1.19 (b) Except as provided in subdivision 1a, if the total amount paid by the lessee for use
1.20 of the leased vehicle includes amounts that are not calculated at the time the lease is executed,
1.21 the tax is imposed and must be collected by the lessor at the time the amounts are paid by
1.22 the lessee. In the case of a lease which by its terms may be renewed, the sales tax is due

2.1 and payable on the total amount to be paid during the initial term of the lease, and then for
2.2 each subsequent renewal period on the total amount to be paid during the renewal period.

2.3 (c) If a lease is canceled or rescinded on or before 90 days of its execution or if a vehicle
2.4 is returned to the manufacturer under section 325F.665, the lessor may file a claim for a
2.5 refund of the total tax paid minus the amount of tax due for the period the vehicle is used
2.6 by the lessee.

2.7 (d) If a lessee's obligation to make payments on a lease is canceled more than 90 days
2.8 after its execution, a credit is allowed against sales tax or motor vehicles sales tax due on
2.9 a subsequent lease or purchase of a motor vehicle if that lease or purchase is consummated
2.10 within 30 days of the date the prior lease was canceled. The amount of the credit is equal
2.11 to (1) the sales tax paid at the inception of the lease, multiplied by (2) the ratio of the number
2.12 of full months remaining in the lease at the time of termination compared to the term of the
2.13 lease used in calculating sales tax paid at the inception of the lease. The credit or any part
2.14 of it cannot be assigned or transferred to another person.

2.15 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
2.16 30, 2024.

2.17 Sec. 2. Minnesota Statutes 2022, section 297A.815, is amended by adding a subdivision
2.18 to read:

2.19 **Subd. 1a. Motor vehicle lease price; commercial motor vehicle leases. (a)**
2.20 **Notwithstanding section 297A.61, subdivision 4, paragraph (k), in the case of a lease of a**
2.21 **motor vehicle to the lessee for use primarily in the lessee's trade or business and for which**
2.22 **the lease agreement contains a provision for the adjustment of the consideration as described**
2.23 **in section 297A.61, subdivision 14a, paragraph (c), the lessor may elect that (1) the tax is**
2.24 **imposed on the purchase price, as defined in section 297B.01, subdivision 14, of the motor**
2.25 **vehicle and collected in full at the time the lease is executed, or (2) the tax is imposed and**
2.26 **the lessor must collect the tax pursuant to subdivision 1.**

2.27 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
2.28 30, 2024.