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## Exemption From Increased Sales Tax Rates for Construction Contractors

**Effective 10/1/2023 - 4/1/2024**

The seven-county metro area of Minneapolis/St. Paul instituted a 1% increase to the sales/use tax rate. However, if you are construction contractor, you might be exempt from this rate increase for qualifying pre-existing contracts or bids. This means any tangible personal property or services purchased in relation to a pre-existing bid or contract are exempt from the tax increase for a period of six months.



The Minnesota Department of Revenue provides the following qualifying **criteria for construction contracts**:

1. The construction contract must have documentation of a bona fide written lump-sum or fixed price construction contract in force from before the effective date of the tax rate change (October 1, 2023).
2. The contract must not provide for an allocation of future taxes.
3. For each contract, the contractor must give the seller documentation of the contract for which an exemption is claimed (Minnesota Form ST-3).
4. Delivery of the materials must occur before April 1, 2024.

For **construction bids, the criteria** described by Minnesota Department of Revenue is:

1. The building materials or services must be used pursuant to an obligation of a bid(s), the bid(s) must be submitted AND accepted before the effective date of the tax change.
2. The bid(s) must not be able to be withdrawn, modified, or changed without forfeiting a bond.
3. For each qualifying bid, the contractor must give the seller documentation of the bid for which an exemption is claimed.
4. Delivery of the materials must occur before April 1, 2024.

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### What should I be doing to make use of this new information?

**First:** You should review all of your pre-October 1, 2023 contracts and bids to determine if they meet the criteria above.

**Second:** YOU MUST provide the seller with a



completed form [ST-3 Certificate of Exemption](#), which can be found on the Minnesota Department of Revenue website. On the form, under the “Reason for Exemption”, check box “O” and enter “25”.

[Click here for MN Department of Revenue Form ST-3](#)

[Please reach out to your JAK advisor](#) if you have further questions related to this exemption.

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