



Minnesota State Colleges and Universities System Procedures Chapter 7 – General Finance Provisions

Guideline 7.3.6.1 Capital Leases Involving Tax-Exempt Interest for Procedure 7.3.6 – Capital Assets

This guideline sets forth the process to be used by colleges and universities and the Office of the Chancellor for entering into capital lease arrangements involving tax-exempt interest (herein referred to as “municipal lease” arrangements).

Purpose: The purpose of this guideline is to provide a consistent process for Minnesota State Colleges and Universities to follow when entering into capital lease arrangements with tax-exempt interest financing and to ensure compliance with United States tax law.

Guideline: Colleges and universities and the Office of the Chancellor shall not enter into municipal lease arrangements for under \$100,000. Colleges and universities and the Office of the Chancellor must use the Minnesota Department of Administration “Master Lease Program” for municipal lease arrangements of \$100,000 or more. Exceptions to the use of the Minnesota Department of Administration financing program must be approved by the Vice Chancellor of Finance.

The Internal Revenue Service (IRS) requires that Form 8038-G, Information Return for Tax-Exempt Governmental Obligations, be filed with them in a timely manner to report municipal leases. The Minnesota Department of Administration /Minnesota Attorney General’s Office will see that Form 8038-G is provided with the lease purchase documents. An authorized Minnesota State Colleges and Universities official must sign and date Form 8038-G and return it in a timely manner to the representative of Minnesota Department of Administration / Minnesota Attorney General’s Office that provided the form. The Attorney General’s Office “Master Lease Program” representative or the financial institution will then File Form 8038-G with the IRS. The Attorney General’s Office will also provide the Office of the Chancellor, Tax Services unit, with a copy of Form 8038-G.

Internal Revenue Code Sections 141-150 and related regulations must be followed for municipal leases. The official signing Form 8038-G is responsible for college, university, or Office of the Chancellor compliance with the tax laws with regard to that municipal lease including the use or disposal of the asset.

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