



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 system office for entering into capital lease arrangements involving tax-exempt interest.

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 system office shall not enter into capital lease arrangements for under \$100,000. Colleges and universities and the system office must obtain Vice Chancellor of Finance approval for capital lease arrangements of \$100,000 or more that involve tax-exempt interest.

Preplanning is mandatory as tax-exempt financing transactions are complex and requires timely and accurately filing federal tax returns. Vice Chancellor approval must be requested early in the process so the Attorney General's Office and Tax Services can provide guidance.

This procedure applies to capital leases involving tax-exempt interest; transactions where interest is taxable are not subject to this procedure.

Approval Date: 04/25/06,

Effective Date: 04/25/06,

Date and Subject of Revision:

11/10/14 – Amended to require Vice Chancellor of Finance approval for capital lease agreements of \$100,000 or more that involve tax-exempt interest.

1/25/12 – The Chancellor amends all current system procedures effective February 15, 2012, to change the term "Office of the Chancellor" to "system office" or similar term reflecting the grammatical context of the sentence.

07/09/09 – Amended state agency names throughout procedure.