

Use Tax for Individuals

Sales Tax Fact Sheet 156

What's New in 2017

We made the layout of this fact sheet easier to use.

What is use tax?

Use tax is the counterpart to sales tax. When you buy a taxable item for your own use without paying sales tax, you may owe use tax.

The use tax rate is the same as the sales tax rate (6.875%) and the same exemptions apply. Some examples of when use tax may be due:

- Online, mail order, or shopping channel purchases
- Purchases of building materials from outside Minnesota
- Uninstalled ready-to-move home or log home from outside Minnesota when you are responsible for the hookup of electrical and plumbing, and for the completion of the masonry work. (Manufactured homes for residential use are taxed at a rate of 4.225 percent. For more information, see Fact Sheet 150, *Manufactured Homes, Park Trailers, and Modular Homes*).
- Purchases of jewelry, boat motors, snowmobiles, ATV's, art, furniture, tools, or appliances.
- When a Minnesota seller does not charge you sales tax on a taxable item or service.
- Purchases from retailers in other countries even if foreign taxes or duties were paid.
- Shipping and handling fees for taxable items.

Local use tax

You may also owe local use tax. There are many city and county local sales and use taxes. If you buy taxable items for use in these localities and are not charged local sales tax, local use tax is due. Local taxes are listed and explained in Fact Sheet 164, *Local Sales and Use Taxes*.

Penalty

When you fail to report use tax on taxable items, you may be assessed tax, penalty, and interest.

Aircraft, ATVs, watercraft, and snowmobiles

Sales or use tax is due on all purchases of aircraft, ATVs, watercraft, and snowmobiles. Regardless if the item is registered with the Department of Aeronautics, the Department of Natural Resources, or a Deputy Registrar's office. If tax was not paid at the time of purchase or when the item was registered, you must report use tax.

Alcoholic beverages

When you enter Minnesota with more than one liter of intoxicating liquor or more than 288 ounces of malt liquor – on which you did not pay Minnesota Sales Tax – you may be required to file and pay Alcoholic Beverage Excise Tax. For more information, see Form LB58, *Alcoholic Beverage Excise Tax Return*.

Cigarettes products

When you buy cigarettes in Minnesota, the price you pay includes Minnesota Cigarette Excise Tax and the Cigarette Sales Tax. If you buy cigarettes outside the state and are not charged these Minnesota taxes, you may need to file Form CT203, *Cigarette Use Tax Return*.

Tobacco products

When you buy tobacco products in Minnesota, the price you pay includes Minnesota Tobacco Tax and the Health Impact Fee. When you buy tobacco products outside the state and are not charged these Minnesota taxes, you may need to file Form CT303, *Tobacco Use Tax Return*.

Why is there a use tax?

Use tax protects Minnesota businesses from unfair competition. When sales or use tax is not paid on items brought you're your community, the local businesses are at a competitive disadvantage. The total amount they charge for a particular item will be 6.875 percent greater, even if the price of the item is the same.

Why don't all out-of-state businesses collect sales tax?

When an out-of-state retail business has a physical presence in Minnesota (a store, warehouse, salesperson, etc.) that business must register and collect Minnesota Sale's Tax.

Mail order companies and others who solicit sales only through advertising in Minnesota generally are not required to register. However, many of these businesses voluntarily collect sales tax as a convenience to their customers.

A business is required to register, collect, and remit sales tax when both of the following are true:

- they enter into an agreement with a solicitor for the referral of Minnesota customers (a link on a website or otherwise) for a commission
- the business gross receipts from such referrals are at least \$10,000 in the 12-month period ending on the last day of the most recent calendar quarter

If you know someone is not charging tax correctly, you can leave a confidential message on our Tipline at 651-297-5195 or 1-800-657-3500 (toll-free).

Are there any exceptions?

Purchases made by an individual for personal use are exempt from use tax when their total taxable purchases are \$770 or less in the calendar year. This exemption does not apply if the seller was a business that is required to collect Minnesota Sales or Use Tax. It also does not apply to purchases made for business use.

When an individual buys more than \$770 of taxable items in a calendar year, all of that person's purchases are taxable.

How would the state know?

Minnesota is a member of the Great Lakes Interstate Sales Compact and the Midwest Border States Compact. These are mutual tax enforcement agreements that help the states enforce sales and use tax laws through an information exchange.

Through these agreements, out-of-state businesses are encouraged to voluntarily register and remit Minnesota Use Tax. If the business does not register, Minnesota may contact purchasers directly for payment.

Minnesota also receives information about international purchases directly from the United States Customs Service.

What if I paid tax to another state?

Minnesota allows credit for all state and local sales or use tax legally required to be paid to another state, not to exceed Minnesota's state and local tax rate. Credit is not allowed for foreign taxes and customs duty charges.

How is use tax paid?

Individuals who owe use tax, but are not required to hold a sales tax permit, can file a use tax return annually, regardless of the total amount of purchases. These returns are due by April 15 of the following year.

You can file your annual use tax return in e-Services. Visit our website at www.revenue.state.mn.us.

1. Click For Individuals
2. Click I need to file...
3. Click Consumer Use Tax. Enter your Social Security Number and follow the prompts.

You may also file Form UT1, *Individual Use Tax Return*.

- Visit our website at www.revenue.state.mn.us and type **UT1** into the Search box.
- Call us at 651-296-6181 or 1-800-657-3777 (toll-free).

Legal References

Minnesota Statute 297A.63, Use taxes imposed; rates

Minnesota Statute 297A.67, subd. 21, De minimus exemption

Minnesota Statute 289A.11, subd. 1, Return required

Other Fact Sheets

146, *Use Tax for Businesses*

150, *Manufactured Homes, Park Trailers, and Modular Homes*

155, *Delivery Charges*

164, *Local Sales and Use Taxes*