

# MinnesotaCare Tax 2015 Wholesale Drug Distributor Tax

Information and instructions for filing your MinnesotaCare tax return (Minn. Stat. Chapter 295)

## Information and Assistance

### Website/e-Services

[www.revenue.state.mn.us](http://www.revenue.state.mn.us)

### Email

[MinnesotaCare.tax@state.mn.us](mailto:MinnesotaCare.tax@state.mn.us)

### Phone

651-282-5533  
(weekdays, 8 a.m.-4:30 p.m.)

**Fax:** 651-556-5233

### Business Registration

Email:

[business.registration@state.mn.us](mailto:business.registration@state.mn.us)

Phone:

651-282-5225 or 1-800-657-3605

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*We provide our publications in other formats upon request to persons with disabilities.*

## Your 2015 Annual Return is Due March 15, 2016

File your return electronically starting **January 22, 2016**.

Go to our website and log in to e-Services to file or pay.

## What's New

### Enhanced e-Services Returns

MinnesotaCare tax returns in e-Services have been enhanced for the 2015 filing season. The returns include the following new features:

- Simplified layouts
- The option to save a return and finish it later
- Helpful icons providing hints and links to more information on our website

### Electronic Payment Requirements

If you are required to pay any Minnesota business tax electronically for one year, you must pay all Minnesota business taxes electronically *for all future years*.

Generally, you are required to pay electronically if your tax liability was more than \$10,000 for any one Minnesota business tax during the previous fiscal year (July 1–June 30). We will send you a notice the first year you are required to pay electronically.

If you are required to pay electronically and do not, you will be assessed a 5 percent penalty on the payment amount.

### Sign Up to Receive Email Updates

Stay informed about MinnesotaCare taxes and receive filing reminders before your returns are due. Go to our website and sign up for MinnesotaCare Tax Updates. You'll receive emails with information and updates related to filing your MinnesotaCare taxes, including:

- law change notices;
- new or updated publications, such as fact sheets, filing instructions, and newsletters;
- e-Services filing information;
- educational tax seminars; and
- filing due date reminders.

To sign up, go to our website and click the red envelope at the bottom of the home page. Enter your email address and select MinnesotaCare Tax Updates from the list of topics.

## Registering for a Minnesota Tax ID

### Before You File, You Need a Minnesota Tax ID Number

Before you can file a MinnesotaCare tax return and/or make estimated tax payments, you must have a Minnesota tax ID number, which is a seven-digit number assigned to you when you register with the department.

If you do not have a Minnesota tax ID, you must apply for one. You can apply online at

[www.revenue.state.mn.us](http://www.revenue.state.mn.us) or by contacting our Business Registration office (*see Information and Assistance on this page*).

*Note:* If your business currently has a Minnesota tax ID number for other Minnesota taxes, you can add a MinnesotaCare tax account to your number. To update your business information, go to our website and log in to e-Services or contact Business Registration.

# General Information

## Who Must File

You're required to file a MinnesotaCare tax return if you are:

- a business licensed by the state of Minnesota to sell legend drugs at wholesale in Minnesota, including:
  - legend drug manufacturers
  - legend drug distributors
  - legend drug jobbers
  - legend drug brokers
- a pharmacy located in another state that is required by the state of Minnesota to have a nonresident pharmacy license to sell legend drugs at retail to consumers in Minnesota, including by mail order
- a business located outside Minnesota that transports legend drugs:
  - directly to a pharmacy in Minnesota that is a member of the same corporation, or
  - through a distributor to a pharmacy in Minnesota that is a member of the same corporation.

## Definition of Legend Drugs

Legend drugs are drugs or gases that are classified by the FDA as a drug, not as a device, and are required by federal law to be sold or dispensed in a container that bears one of the following statements:

- "Caution: Federal law prohibits dispensing without prescription," or
- "Rx only."

**Blood, blood components and blood derivatives.** Blood and blood components are not considered legend drugs under Minnesota law. Wholesale drug distributors are not required to pay tax on the sales of blood or blood components.

Blood derivatives, however, which are derived from blood, plasma or serum through a chemical manufacturing process, are considered legend drugs and are taxable. You must include amounts you receive for blood derivatives when reporting your legend drug sales.

## Tax Passthrough

A pharmacy may transfer the additional expense generated by the Wholesale Drug Distributor Tax to a pharmacy benefits manager. The law requires the pharmacy benefits manager to pay the transferred expense (*M.S. 295.582, subd. 1*).

## Electronic Filing and Payments

### Annual Returns

File your annual return electronically using our e-Services system (*see page 3*).

### Payments

You are required to pay electronically if your tax liability was more than \$10,000 for any one Minnesota business tax during the previous fiscal year (July 1–June 30).

If you are required to pay any Minnesota business tax electronically for one year, you must pay all Minnesota business taxes electronically *for all future years*.

A 5 percent penalty will be assessed if you fail to pay electronically when required, even if a check payment is received on time.

## Filing Due Date

### Annual Tax Return

The regular due date for filing your annual MinnesotaCare tax return and paying any additional tax is March 15 following the end of the year in which you received the receipts.

The return must be filed even if there is no additional tax due. If March 15 falls on a weekend or holiday, returns filed on the next business day are considered timely.

### Extension of Time to File

If you cannot file your return by the regular due date, you may request a 60-day filing extension. To request an extension for your 2015 return, call 651-282-5533 no later than March 15, 2016.

A filing extension does not extend the time you have to pay your tax. You must pay any tax you owe by the regular due date or you will be assessed penalties and interest. For 2015 returns, the regular due date is March 15, 2016. To pay electronically, go to our website and log in to e-Services.

## Estimated Tax Requirements

You're required to make estimated tax payments during the year if your total annual MinnesotaCare tax will be more than \$500.

If your total annual tax will be \$500 or less, you may pay your tax when you file your annual tax return and are not required to make estimated payments during the year.

**Due Dates.** Estimated tax payments are due quarterly by the 15th day of April, July and October of the current year and Jan. 15 of the following year.

If the due date falls on a weekend or holiday, payments electronically made or post-marked the next business day are considered timely.

Each estimated tax payment must be at least the lesser of:

- 90 percent of one-fourth of your actual tax for the current year; or
- one-fourth of your actual tax for the previous year if you were in business for the entire year and you had a tax liability.

To determine your estimated tax payments, see the MinnesotaCare estimated tax instructions available on our website.

### Penalty for Underpaying Estimated Tax.

If any payment is less than the required amount or is paid late, an additional tax charge (ATC) for underpaying the estimated tax will be assessed.

When you file your annual tax return, our e-Services system will calculate the underpayment penalty, if any, for you.

## Reporting Business Changes

Be sure to update your business information if you:

- change the name, address, owner/officers or ownership of your business;
- make any other changes (e.g., email address, phone number or contact person);
- need to add or delete a tax type;
- close your business; or
- are no longer required to file and pay MinnesotaCare tax.

To update, go to our website and log in to e-Services. For additional information, see *Managing Your Account Profile in e-Services* on page 5.

## Recordkeeping

Keep all internal accounting records and external third-party documentation that support the amounts reported on your MinnesotaCare tax return. Some examples include:

- legend drug sales invoices
- audited and compiled financial statements

## General Information (continued)

- all other summary and detail reports, schedules, ledgers and journals

Exemptions may be denied if your documentation is incomplete. Keep your documentation for at least 3½ years from the date the original return was filed or was required to be filed, whichever is later.

### Statute of Limitations

The department may audit your return within 3½ years after you file it. There is no time limit if you are found to have fraudulently reported tax information or if you have not filed a return.

### Electronic Payment Options

#### e-Services

Use our e-Services system to make payments online. If you choose this option, you'll be able to view a record of your

payments once the payments have been processed.

Go to our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and log in to e-Services. You will need your bank's routing number and your account number. To be timely, you must complete your transaction and receive a confirmation number on or before the due date for that payment (see *Filing Due Date* on page 2). When paying electronically, you must use an account not associated with any foreign banks.

#### Credit or Debit Card

For a fee, you may charge your payments to your Visa, MasterCard, American Express or Discover/Novus credit or debit card. To do so, have your credit/debit card ready and go to [www.paymntax.com](http://www.paymntax.com) or call 1-855-947-2966.

#### ACH Credit

ACH credit payments are initiated by you through your bank. You authorize your bank to transfer funds to the state's bank account. The bank must use ACH file formats, which are available on our website or by contacting our Business Registration office (see page 1). Your bank may charge you a transaction fee for these payments.

#### Fed Wire

Fed Wire payments are initiated by you through your bank. Most banks are able to include information needed to post a Fed Wire payment (Minnesota tax ID number, tax-type code, period of payment). If your bank is unable to include the payment details, you should enter the details by submitting a Fed Wire notification through the e-Services system. For more information, contact our Business Registration office (see page 1).

## How to File Your Annual Return

**Your 2015 MinnesotaCare tax return is due March 15, 2016.** File your return using our e-Services system starting January 22, 2016.

### Information You Will Need to File Your Return

MinnesotaCare tax returns are filed electronically using our e-Services system. Before you can file your return, you will need the following:

- Your completed Worksheet C. The information on Worksheet C will be requested when you file your return. See instructions on this page.
- Your user name and password.
- Dates and amounts of any MinnesotaCare estimated tax payments you have made for the year.
- If you are making a payment with your return, your bank's nine-digit routing number and bank account number.

**You must be registered for MinnesotaCare Wholesale Drug Distributor Tax** in order

to file a return. To register or update your business information, log in to e-Services or contact Business Registration (see page 1).

### To File Online

Go to our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and log in to e-Services.

You will need Internet access with a browser that supports 128-bit encryption, such as Internet Explorer 8.0 to 11.0, Firefox 3.0 or higher, Chrome or Safari 5.X.

### Worksheet C Instructions

*Use Worksheet C to determine the amounts to enter when you electronically file your return.*

#### Gross Receipts

##### Line 1

##### Sales of legend drugs

Enter the total amount you received during the year from the wholesale sale of legend drugs to:

- buyers in Minnesota who sell the drugs at retail,

- hospitals and health-care providers in Minnesota who use the drugs in treating patients, and
- buyers in Minnesota who sell some of the drugs at wholesale and some of the drugs at retail.

Be sure to include the MinnesotaCare tax, shipping/handling charges, up charges, rental charges associated with the use of the legend drug, and all other charges associated with the sale of the legend drug.

**Do not include** on line 1:

- amounts you received from the sale of legend drugs to a Minnesota legend drug wholesaler who sells drugs *exclusively* at wholesale, or
- refund amounts you paid to purchasers in Minnesota for legend drugs returned to you during the year.

For the definition of legend drugs, see page 2.

#### Corporations Located Outside Minnesota.

If you're a corporation located outside Minnesota and you expect to transport legend drugs to pharmacies you own in Minnesota, include the following on line 1:

# How to File Your Annual Return

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- your cost of the legend drugs that are transported to the pharmacies you own in Minnesota, and
- your cost of transporting the drugs to your pharmacies in Minnesota.

## Line 2 Out-of-State Pharmacies Selling in Minnesota

If you're an out-of-state pharmacy that sells legend drugs at retail to consumers in Minnesota, including sales by mail order, enter the amount you paid to wholesale drug distributors for the legend drugs you sell to consumers in Minnesota.

## Line 4 Sales to veterinarians

Of the amount on line 3, enter the amount you received from the wholesale sale of legend drugs to veterinarians.

## Line 5 Total subject to tax

Subtract line 4 from line 3. This is the portion of your sales that is subject to MinnesotaCare tax.

**Line 6  
Tax**  
Multiply line 5 by 2 percent (.02). This is your MinnesotaCare tax for the year.

**Estimated Payments**  
Any estimated payments you made during the year will be applied to your return when you file. You can view the payments in e-Services. If there are discrepancies between the payments shown in e-Services and your records, please contact us.

## Penalties and Interest

**Late Payment.** A late-payment penalty is assessed on any tax not paid by March 15. The penalty is 5 percent of the unpaid tax for every 30-day period (or part of a 30-day period) that your return payment is late, up to 15 percent.

**Late Filing.** There is also a penalty for filing your return after the due date. The late-filing penalty is 5 percent of any unpaid tax.

**Extended Delinquency.** If the department sends a written demand to file a tax return and the return is not filed within 30 days, an extended delinquency penalty of 5 percent of the unpaid tax or \$100, whichever is

greater, will be assessed. This penalty is in addition to any late-filing penalties that may be assessed and applies to all unfiled returns, even if you paid the correct amount of tax on time, or do not have a tax liability.

**Payment Method.** If you are required to make your tax payments electronically, a 5 percent penalty will be assessed if you pay by another method, such as paper check or money order.

**Interest.** You must pay interest on the unpaid tax and penalty from the regular due date until the total is paid. The interest rate is determined each year.

The interest rate for 2015 is 3 percent.

## Paying the Balance Due

If you owe additional tax, you can use e-Services to pay at the same time you file your return. You'll need your bank's routing number and your account number.

If you pay electronically in e-Services, you'll be able to view a record of your payments online once the payments are processed.

If you choose to pay electronically another way, see the additional payment options on page 3.

# How to Amend Your Return

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If you made an error on your return, you must file an amended return to correct it. File your amended return electronically online using our e-Services system.

Before you amend your return, complete Worksheet C with the corrected amounts (i.e., the amounts that should have been reported on the original return). You will need to enter this information when you file electronically.

To claim a refund, you must file your amended return within 3½ years of the regular due date for the year you are amending.

Keep all supporting documentation for any amended return you file. The documentation must be made available to the department upon request. All amended returns are subject to audit.

## Filing Instructions

To amend a return online, go to our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and log in to e-Services. Click the "View Return" link next to the period you want to amend. Then, click the "Change" button on the

return screen and enter the corrected amounts from Worksheet C. You'll also need to enter the reason you are amending your return.

You will receive a confirmation number if your return is filed successfully. Print the confirmation page for your records.

If you need help or have questions about amending a return, please contact us.

# Managing Your Account Profile in e-Services

The “My Profile” link in e-Services allows you to:

- update your web profile information;
- store your email address, phone number and banking information;
- create access to your and other people’s accounts;
- add additional users with varying security, as well as request and approve third party access.

## Set Up and Manage Users

There are two types of users in e-Services: e-Services Master and Account Manager. An e-Services Master can manage other users as well as file and/or pay for specific account types. An Account Manager can view, file and/or pay for specific account types depending on the access that an e-Services Master has set up for the user.

e-Services has the following access level options:

- **File**—allows user to view all information and file returns;

- **Pay**—allows user to view all information and make payments;
- **View**—allows user to only view all information;
- **All Access**—allows user total access to update the account, file and pay.

**For instructions on how to create additional logons for users**, see Help and FAQs in e-Services.

## Third Party Access

Third party access is for accountants and other non-employees who prepare/pay on behalf of another business. In order to receive third party access, the non-employee must request that access from the taxpayer. The taxpayer must then grant the access and manage the login of the non-employee before this request can become active.

*Note:* Both parties must be active in e-Services for this access to be requested.

**For detailed instructions on how to request third party access**, go to our website and view the 3rd Party Access video.

## Forgot Your Password?

To reset your password to access the e-Services system:

- On the main e-Services login screen, click “Forgot Your Password?”
- Type your unique user name in the field and click “Reset Password.”
- You’ll receive an email with a link to reset your password.
- Enter the answer to your security question and click “Next.”
- Type in your new password and confirm it and click “Submit.”
- Click “OK.”

**Your 2015 annual return is due March 15, 2016.  
File electronically in e-Services starting January 22, 2016.**

## 2015 Worksheet C Wholesale Drug Distributor Tax Return

Complete this worksheet to determine your Wholesale Drug Distributor Tax. You'll need this information when you electronically file your return. Refer to the 2015 MinnesotaCare Wholesale Drug Distributor Tax Instructions.

Check if this is an amended return

Minnesota Tax ID Number	Tax Type: <b>Wholesale Drug Distributor Tax</b>	Total Estimated Payments for 2015
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**Round amounts to the nearest whole dollar.**

<b>1 Legend Drug Sales.</b> Enter the total amount received from the sale of legend drugs in Minnesota .....	<b>1</b>	
<b>2 Out-of-State Pharmacies.</b> Enter the amount you paid to purchase legend drugs you sold to consumers in Minnesota .....	<b>2</b>	
<b>3</b> Add lines 1 and 2 .....	<b>3</b>	
<b>4 Sales to Veterinarians.</b> Of the amount on line 3, enter the amount received from the sale of legend drugs to veterinarians .....	<b>4</b>	
<b>5</b> Subtract line 4 from line 3 .....	<b>5</b>	
<b>6 Wholesale Drug Distributor Tax.</b> Multiply line 5 by 2% (.02).....	<b>6</b>	

### File Your Return Electronically

Go to [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and log in to e-Services.

Select the 2015 filing period. Enter the amounts above and verify any estimated payments you've made during the year. Your refund or tax due will be calculated for you based on the information you enter. If you are required to pay any penalty, interest or additional charge for underpaying estimated tax, the e-Services system will also calculate these amounts for you.

You will receive a confirmation number if your return is filed successfully. Print and keep the confirmation page with your records.