

MinnesotaCare Tax

2016 Wholesale Drug Distributor Tax

Information and instructions for filing your MinnesotaCare tax return (See Minnesota Statutes Chapter 295)

For wholesale drug distributors and non-resident pharmacies

Information and Assistance

Website/e-Services

www.revenue.state.mn.us

Email

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
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 2016 Annual Return is Due March 15, 2017

File your return electronically starting **January 23, 2017**.

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

What's New

Two-Step Verification

We have added an extra layer of security to our e-Services system!

When logging in to e-Services, you will now be asked to enter a verification code along with your username and password. This is called two-step verification.

With two-step verification, you select if we send you a verification code through text message or email. You will need to enter a verification code each time you log in to e-Services, unless you select Remember This Computer. By selecting Remember This Computer, you will not be required to enter a verification code the next time you log in using that machine.

For more information and instructions on how to set up two-step verification for your account, go to our website at **www.revenue.state.mn.us** and type **Two-Step Verification** into the Search box.

MinnesotaCare Tax Fact Sheets

We have the following MinnesotaCare Tax Fact Sheets available:

- #2, Chiropractors
- #3, Ambulance Services and Emergency Medical Providers

These fact sheets contain information on who is subject to tax and what is taxable. To download copies of either fact sheet, go to our website at **www.revenue.state.mn.us** and type **MinnesotaCare Fact Sheets** into the Search box.

Watch for new fact sheets in 2017!

Sign Up to Receive Email Updates

Stay informed about MinnesotaCare taxes! Sign up to receive email updates about:

- filing and payment due date reminders
- new or updated publications
- educational tax seminars

To sign up, go to our website at **www.revenue.state.mn.us** and select the red envelope at the bottom of the home page. Enter your email address and select **MinnesotaCare Tax Updates** from the list.

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 Number, you must apply for one. You can

apply online at **www.revenue.state.mn.us** or by contacting Business Registration (*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 2016 return, call 651-282-5533 no later than March 15, 2017.

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 2016 returns, the regular due date is March 15, 2017. 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 January 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 (such as 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

You should keep all internal accounting records and external third-party documentation that support the amounts reported on your MinnesotaCare tax return.

This includes any paper records and any records that you receive or store electronically.

General Information (continued)

Some examples of paper and electronic records include:

- legend drug sales invoices
- audited and compiled financial statements
- all other summary and detail reports, schedules, ledgers, and journals

All documentation should be available for the department to review. If you are audited, you will be asked to provide between 4 and 6 years of records. Exemptions may be denied if your documentation is incomplete.

Statute of Limitations

The department may audit your return within 3½ years from the due date of the return or the date you filed the return, whichever is later. If there is an error in the amount of tax you reported, and the difference between the original amount and the correct amount is 25 percent or more, we have 6½ years to audit the return. There is no time limit if we find you have fraudulently reported tax information or if you have not filed a return.

How to File Your Annual Return

Your 2016 MinnesotaCare tax return is due March 15, 2017. File your return using our e-Services system starting January 23, 2017.

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

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 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 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. Your bank may charge you a transaction fee for these payments.

Bank Wire

You can authorize a direct transfer from your bank account to the Minnesota Department of Revenue. For information on how to make a bank wire transfer, call us at 651-556-3003 or 1-800-657-3909.

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 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, Google 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

- 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 2016 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

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 (that is 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 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 “Manage Profile” link in e-Services allows you to:

- update your login 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 view, 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:

- **All Access**—allows user total access to update the account, file, and pay

- **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

For instructions on how to create additional logons for users, see Help 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.

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 username 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 2016 annual return is due March 15, 2017.
File electronically in e-Services starting January 23, 2017.

2016 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 2016 MinnesotaCare Wholesale Drug Distributor Tax Instructions.

Check if this is an amended return

Minnesota Tax ID Number	Tax Type: Wholesale Drug Distributor Tax	Total Estimated Payments for 2016
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Round amounts to the nearest whole dollar.

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

File Your Return Electronically

Go to www.revenue.state.mn.us and log in to e-Services.

Select the 2016 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.