

Exercise Facilities and Health Clubs

Sales Tax Fact Sheet 124

What's New in 2018

We clarified when sellers are required to collect local sales taxes. See Local Sales and Use Taxes on page 2.

Fees and memberships

Fees or charges for access to the types of health clubs and similar businesses listed below are taxable.

exercise facilities	steam baths
health clubs	swimming pools
reducing salons	tanning (except spray tanning)
saunas	Turkish baths
spas	

Memberships to any club, community center, or other organization that provides sports or athletic facilities for members are taxable. One-time membership fees and periodic membership dues are taxable, as well as initiation fees and social memberships that allow admission to the club but no use of athletic facilities.

The following charges are not taxable if they are separately stated from the taxable charges described above.

- fees for not spending a minimum in the dining room
- redeemable equity contributions
- special assessments or capital surcharges to fund specific capital improvements
- stock purchase payments
- stock transfer fees

The following are not taxable when they are optional and separately stated from other taxable charges, such as a membership fee:

- aerobic, exercise, yoga or other class fees
- consultation fees for weight control or nutrition
- cosmetology, body wraps, and waxing
- day care
- personal trainer fees

Sales of memberships by qualifying organizations similar to the YMCA, YWCA, and Jewish Community Centers (JCC's) are not taxable. This includes one-time initiation fees and periodic membership dues. Previously, only sales of memberships to the YMCA, YWCA, and JCC qualified for the exemption. For more information about qualifying organizations, see the Nonprofit Organizations Industry Guide.

Separate charges for access to and use of the organization's sports or athletic facilities are taxable. For example, swimming pool admissions, racquetball and tennis court charges are taxable.

Sales to customers

Snack bars

Snack bar sales, including milk, juices and health drinks served to customers, are taxable. For more information, see the Food and Bar Establishments Industry Guide.

Party packages

Birthday party packages that include food, favors, use of the swimming pool or other athletic facilities or equipment are taxable.

Product sales

Sales of products such as skin care products, handball gloves, tennis balls, and gym bags are taxable. Sales of food supplements, vitamins, appetite suppressants and stimulants are also taxable. For more information about how sales tax applies to food, candy, soft drinks, prepared food, and dietary supplements, see Fact Sheets 102 A through E. Clothing is not taxable. See Fact Sheet 105, *Clothing*.

Massages

Massages are taxable unless your customer provides a referral from a licensed health care facility or professional for treatment of injury, illness or disease. For more information, see Fact Sheet 162, *Massages*.

Vending machine sales

Starting July 1, 2017, the only taxable food sold through vending machines is prepared food, soft drinks, candy, and dietary supplements. Previously, all food sold through a vending machine was taxable. For more information, see Fact Sheet 158, *Vending Machines and Other Coin-Operated Devices*.

Towel service

Towel service is taxable. Towels or other items that are supplied to customers as part of a linen supply service can be purchased exempt for resale by giving the supplier a completed Form ST3, *Certificate of Exemption*. Specify the Resale exemption. If you launder your own towels, you may buy the water, soap, bleach, and other materials used to launder the towels exempt. Specify the Other exemption and write in Materials to provide taxable services. For more information, see Fact Sheet 120, *Laundry and Cleaning Services*.

Equipment sales or leases

If you sell or lease equipment or other items used in your business, the sale may be subject to sales tax. For more information, see Fact Sheet 132, *Isolated and Occasional Sales*.

Donated massages or services

Donated massage therapy or other donated services or admissions are not taxable. The donor must pay sales or use tax on any taxable items used in providing these services or admissions.

Discounts and coupons

If store coupons or discounts are used by your customer to buy taxable items, subtract the coupon or discount amount first and then apply sales tax to the discounted amount. For manufacturer coupons where the seller is reimbursed for the value of the coupon, charge tax on the coupon amount and the amount the customer pays. For more information, see Fact Sheet 167, *Coupons, Discounts, and Other Forms of Payment*.

Sales to nonprofits

Qualifying nonprofit organizations must give you a completed Form ST3, *Certificate of Exemption* to claim exemption on purchases. Generally, nonprofit organizations may purchase admissions exempt from tax but must pay tax on club memberships.

Purchases by facilities or clubs

When you buy things to use in your facility or club, tax applies as follows:

Equipment is taxable.

Supplies furnished for no extra charge to customers, such as lotions, tanning supplies, towels, and deodorants are taxable when purchased by the facility.

Other taxable items include:

administrative supplies	furniture and fixtures
audio and video tapes	lawn care services
building cleaning and maintenance services	linen supply and laundry services
cleaning supplies	pool chemicals
eye and ear protectors	security services

Any of the above items purchased for resale to customers are not taxable. Give your vendor a completed Form ST3, *Certificate of Exemption*. Specify the Resale exemption. Separately state the sales price and charge your customer sales tax when you sell taxable items at retail.

Contracts for improvements to real property such as repairs or remodeling of the facility are not taxable. The contractor pays sales tax on all supplies and building materials used. If you perform your own improvements, you must pay sales or use tax on your cost of supplies and materials.

Use tax

Sales tax is generally charged by the seller at the time of sale. However, if the seller does not charge Minnesota sales tax on equipment, supplies, or other taxable items used in your business, you must pay use tax. Use tax is due on your cost of the item. Report state and local use tax when you electronically file your sales and use tax return. For more information, see Fact Sheet 146, *Use Tax for Businesses*.

You must pay use tax when you:

- Buy taxable items such as computer hardware or software by mail, Internet, or phone when Minnesota sales tax is not charged by the seller.
- Buy taxable inputs that are used to supply a taxable service.
- Buy taxable items for use in an area with a local use tax but only state tax was paid.
- Buy taxable services in Minnesota such as laundry service, building cleaning, lawn, or security services, but were not charged sales tax.

Local sales and use taxes

If you are located in or make sales into an area with a local tax, you may owe local sales or use tax. For more information, see Fact Sheet 164, *Local Sales and Use Taxes*.

Legal References

Minnesota Statutes 297A.61

subd. 3(g)(1) Admissions

subd. 3(g)(4) Memberships

subd. 3(g)(6)(vii) Massages

subd. 4(h) and (j), Retail sale

subd. 34, Food sold through vending machines

Minnesota Statutes 297A.70

subd. 4, Sales to nonprofit groups

subd. 12, YMCA, YWCA, JCC, and similar memberships

Revenue Notices

00-03, *Exemptions: Materials Used or Consumed in Providing Taxable Service*

00-05, *Golf, Country Club, and Athletic Club Memberships*

02-08, *Massage Services*

Other Fact Sheets

102A, *Food and Food Ingredients*

102B, *Candy*

102C, *Soft Drinks and Other Beverages*

102D, *Prepared Food*

102E, *Dietary Supplements*

105, *Clothing*

120, *Laundry and Cleaning Services*

132, *Isolated and Occasional Sales*

142, *Sales to Governments*

146, *Use Tax for Businesses*

158, *Vending Machines and Other Coin-Operated Devices*

162, *Massages*

164, *Local Sales and Use Taxes*

167, *Coupons, Discounts and Other Forms of Payment*

Industry Guides

Food and Bar Establishments

Nonprofit Organizations