

Loggers and Log Home Builders and Sellers

Sales Tax Fact Sheet 153

What's new in 2018

We clarified when sellers are required to collect local sales taxes. See Local Sales and Use Taxes on page 4.

Loggers

Loggers harvest trees for timber products. For sales and use tax purposes, logging is considered to be agricultural production. This fact sheet explains how sales tax applies to equipment, fuels, and other items you buy. It also explains how sales tax applies when you sell timber products.

Machinery and equipment purchases

Purchases and rentals of new and used logging equipment are exempt from sales and use tax. The equipment must be used *directly and principally* in the commercial cutting or removal of timber or other solid wood forest products intended to be sold ultimately at retail and must fit the definition of logging equipment.

Repair and replacement parts, *except tires*, used for the maintenance or repair of qualified logging equipment are also exempt. For more information, see Fact Sheet 108, *Logging Equipment*.

To claim exemption, give the seller a completed Form ST3, *Certificate of Exemption*.

Logging equipment and repair parts purchased for non-logging use or equipment that does not qualify for exemption are taxed at 6.875 percent.

Other purchases

Petroleum products (gasoline, diesel fuel, propane, grease, oil, and other lubricants) and radiator antifreeze used or consumed in the operation of logging equipment used to harvest timber are not taxable. Give the seller a completed Form ST3, *Certificate of Exemption*, to claim exemption.

Petroleum products used in equipment to build access roads to timber areas are subject to sales or use tax if petroleum tax was not paid or if it was refunded. For more information, see Fact Sheet 116, *Petroleum Products*.

Some services that are usually taxable can be purchased exempt if the services are used in the agricultural production of trees. Examples are: spraying, tilling, fertilizing, tree trimming and thinning services that you purchase. Give the service provider a completed Form ST3, *Certificate of Exemption*, to buy these services without paying tax.

Timber product sales

Most timber products are used to make various paper and wood products. Sales to the following businesses and individuals are taxed as indicated:

Sales to paper mills and sawmills, wood products specialty companies, and others to be used in industrial production are not taxable if the customer gives you a completed Form ST3, *Certificate of Exemption*. Specialty companies include manufacturers of building materials, furniture, matchsticks, popsicle sticks, tongue depressors, toothpicks, etc.

Sales to log homebuilders and contractors are taxable. See the next page for more information.

Sales of firewood delivered to residential customers any time of the year are not taxable.

Sales of firewood picked up by a customer for *residential* heating are not taxable if the customer gives you a written statement that it will be used for residential heating. Keep these written statements on file, the same as you would an exemption certificate.

Examples of *residential* customers include: single family homes, lake cabins, duplexes, town houses, condominiums, apartments, mobile homes, fraternity or sorority houses, rooming houses, nursing homes, and intermediate care facilities. Garages (attached or unattached) for these residential customers are considered residential property.

Sales of firewood for recreational use (campfires, fish houses, etc.) are taxable.

Sales to a customer, who will **resell** the product, either wholesale or retail, are not taxable. The customer must give you a completed Form ST3, *Certificate of Exemption*, to claim exemption.

Sales to any business or individual are taxable unless the customer gives you a completed Form ST3 or statement of exemption.

Log homebuilders

Log homebuilders use logs (raw timber, log home kits, or pre-cut logs) to assemble, build, erect, improve, alter, or repair residential, recreational, and commercial log buildings. This fact sheet explains how sales or use tax applies to materials and other items that you buy to construct a log building. It also explains how sales tax applies when you sell log homes or other items. For more information, see Fact Sheet 128, *Contractors*.

Purchases

When you buy items to construct a log building, pay sales or use tax as shown below. If you buy the items in Minnesota, the seller will usually charge sales tax. If you buy the items from out of state, or if the seller doesn't charge sales tax, you must report the use tax directly to the Department of Revenue. See How to report sales and use tax later in this fact sheet.

Building materials and supplies used to erect, improve or alter real property are taxable.

Cleaning services purchased to complete a construction contract are taxable. For more information, see Fact Sheet 112, *Building Cleaning and Maintenance*.

Fabrication labor. If you hire another business to cut or peel logs, or to cut grooves in logs, their charge to you is taxable. If another business saws or planes logs for you, their charges are also taxable. This type of labor is fabrication labor, which is taxable.

Taxable purchases include logs or stumpage (stand-ing timber that a logger harvests) purchased from:

- other log home builders
- suppliers or loggers inside or outside Minnesota
- the U.S. Forest Service
- the State of Minnesota (for example, the Department of Natural Resources)
- counties
- townships

Purchases of logs or stumpage from a homeowner who is not in the business of selling logs or stumpage are not taxable.

Examples of specialty products and equipment that are taxable when you buy or rent them:

- adhesives
- application equipment
- axes
- backer rods
- black iron hardware
- books
- brushes
- calipers
- cant hooks
- cast iron grills and registers
- caulk
- chain saws
- chaps
- chinking

- chisels
- cleaners
- cranes
- debarker
- door seals
- draw knives
- drill bits
- fasteners
- finishes
- foam sealant
- hardware
- lifting tongs
- lumber crayons
- mallets
- mauls
- oakum
- paint
- pencils
- picaroons
- preservatives
- protractors
- pruning saws
- reinforcing rods
- restoration products
- sawmill (mini)
- screw jacks
- scribes
- sealant tape
- specialty tools
- sprayers
- stains
- stucco
- videos
- washers
- weatherseal
- whetstones
- wood treatments

Sales

If you sell and assemble, erect, or install a log building, it is a sale of real property. Assembled, erected, or installed log buildings are real property even when they are erected within a larger building or mall area and attached to real property. Don't charge sales tax on the sale of real property to your customer.

If you sell and install other improvements to real property, such as landscape timbers, decks or railings, do not charge sales tax to your customer.

Log home kits sold without installation, to be erected by the individual customer or another contractor, are taxable.

Prebuilt homes, including **log homes**, sold without installation are taxable. This includes sales where the home is only set in place but not attached to the foundation, or where the seller only supervises the installation. The reduced sales tax rate for manufactured homes does not apply to prebuilt homes or log homes, since they do not meet the definition of manufactured homes.

Sales of **logs to other log home builders** to erect, improve, alter or repair real property are taxable.

Materials such as caulk, chinking material, finishes, preservatives, sealants, wood treatments, etc. sold to homeowners or contractors are taxable.

Scrap logs sold to others who will further process the logs, such as paper companies, are not taxable if they give you a completed Form ST3, *Certificate of Exemption*.

Wooden railings and other accessories sold to homeowners or contractors without installation are taxable.

Note: If you sell log homes without installation, such as a log home kit, you are selling a product. When selling a product, you may buy the materials that become part of the product exempt by giving the seller a completed Form ST3, *Certificate of Exemption*. Specify the Resale exemption. If you paid tax on the building materials when you purchased them, you can deduct their cost from the selling price you report on your sales and use tax return. For more information, see Fact Sheet 128, *Contractors*.

General information

Clothing and safety items

Clothing for general use is not taxable. Examples include coveralls, and steel toe shoes and boots. Safety equipment is taxable. Examples include hard hats and liners, ear and hearing protectors, safety belts, and non-prescription safety glasses, and goggles. Prescription safety glasses and goggles are not taxable. For more information, see Fact Sheet 105, *Clothing*.

How to report sales and use tax

Report state and local sales and use taxes electronically over the internet at www.revenue.state.mn.us. If you don't have internet access, you can file by phone. Call 1-800-570-3329 (toll-free).

Local Sales and Use Taxes

If you are located in or make sales into an area with 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 Statute 297A.69

subd. 3, Repair and replacement parts

subd. 4, Machinery, equipment, and fencing

Revenue Notices

98-25, Logging Equipment – Qualifying Equipment

Other Fact Sheets

105, *Clothing*

108, *Logging Equipment*

112, *Building Cleaning and Maintenance*

116, *Petroleum Products*

128, *Contractors*

142, *Sales to Government*

146, *Use Tax for Businesses*

164, *Local Sales and Use Taxes*