

Vending Machines and Other Coin-Operated Devices

158

Fact Sheet

Sales Tax Fact Sheet 158

What's new in 2017

Starting July 1, 2017:

- The only taxable food sold through vending machines is prepared food, soft drinks, candy, and dietary supplements.
- Purchases of music by jukebox operators for use in a jukebox are exempt from sales tax.

This fact sheet covers:

- which sales and purchases are taxable
- who is responsible for reporting the sales
- how to compute sales tax

Sales

Food and drinks

Starting July 1, 2017, the only taxable food sold through vending machines, snack boxes, or honor boxes is prepared food, soft drinks, candy, and dietary supplements. Previously, all food sold through a vending machine was taxable.

Taxable vending machine sales	Nontaxable vending machine sales
• Candy bars	• Bottled water
• Honey roasted nuts	• Cookies
• Hot coffee or cocoa	• Licorice
• Soda pop	• Carton of milk
• Sports drinks	• Muffins

Sales from powdered beverage dispensers are also taxable.

Schools

The only taxable food sold through vending machines is prepared food, soft drinks, candy, and dietary supplements.

Exempt or Nonprofit Organizations

Prepared food, soft drinks, candy, and dietary supplements sold from vending machines by an exempt or nonprofit organization are taxable.

Health care products

Over-the-counter drugs

All drugs for human use, including *over-the-counter drugs* are exempt, even when sold through a vending machine.

To determine if an over-the-counter item is a nontaxable drug, the product label must include a “Drug Facts” panel, or a list of active ingredients. For example, eye drops are taxable unless they have an *active ingredient* or a *Drug Facts* panel on the label.

Grooming and hygiene products

Certain grooming and hygiene products are taxable. Examples include:

- antiperspirants
- baby lotions
- cleaning solutions
- combs
- condoms
- nail clippers
- shampoo
- soaps
- sunscreen
- suntan lotions

- cosmetics
- hand lotions
- mouthwash
- tissues
- toothbrushes
- toothpaste

Examples of nontaxable grooming and hygiene products include:

- baby bottles
- diapers
- feminine hygiene products
- pacifiers
- teething rings

For more information see:

- Fact Sheet 117A, *Drugs*
- Fact Sheet 117F, *Grooming and Hygiene Products*

Clothing

Clothing sold through vending machines is not taxable.

Examples include:

- bathing suits
- diapers
- stockings

Clothing accessories sold through a vending machine is taxable. Examples include:

- ear or nose plugs
- jewelry

- sunglasses

For more information, see Fact Sheet 105, *Clothing*.

Coin-operated laundries

Generally, laundry and dry cleaning services are taxable. However, sales made through coin-operated washers and dryers that are operated by the customer are not taxable. Sales of laundry detergents, bleach, softeners, candy, and soft drinks are taxable. For more information, see Fact Sheet 120, *Laundry and Cleaning Services*.

Car washes

Sales made through coin-operated car washes and vacuums are taxable. Sales of towels, chamois cloths, cleaning supplies, and deodorizers sold through vending machines are also taxable. For more information, see the Motor Vehicle Industry Guide.

Coin-operated entertainment and amusement devices

The use of all coin-operated entertainment and amusement devices is taxable. Examples include:

- batting cages
- cranes
- foosball and pool tables
- fortune telling machines
- jukeboxes
- photo or video booths
- video and pinball games
- rides

Miscellaneous

Animal feed

Animal feed sold from vending machines is taxable, including sales from dispensers located at parks and zoos.

Baggage cart rentals

Baggage cart rentals are taxable.

Blood pressure and pulse rate machines

Sales made through coin-operated machines that check blood pressure or pulse rate are not taxable.

Cigarettes

Cigarettes are not taxable at the retail level.

Miscellaneous goods

Vending machine sales of items such as books, color crayons, magazines, pencils, phone cards, sewing kits,

shoe polish, shoe shine cloths, souvenirs, and writing tablets are taxable.

Newspapers and postage stamps

Newspapers and postage stamps are not taxable.

Parking meters and coin-operated utilities

Sales made through parking meters and coin-operated showers, lights, and toilets are not taxable

Photocopies

Photocopies are taxable whether the customer or the business operates the copy machine.

Pull tabs

Pull tabs sold through dispensing devices are not subject to sales tax. For more information on taxes that apply to gambling devices, contact the Special Taxes Division of the Minnesota Department of Revenue at 651-297-1772.

Purchases

Products for resale

Do not pay sales or use tax on items you sell in a vending machine. Instead, give your supplier a completed Form ST3, *Certificate of Exemption*. Specify the Resale exemption.

If you pay sales tax on the products you resell in a vending machine, you may deduct the sales tax you paid from the tax you remit on your sales tax return. For more information, see “Calculating your sales tax”, on page 3.

Coin-operated entertainment and amusement device exemption

Beginning July 1, 2014, Minnesota law provides an exemption for the purchase of certain coin-operated entertainment and amusement devices. For a list of these devices, see “Coin-operated entertainment and amusement devices”, on page 2.

This exemption applies to purchases by retailers who either:

- sell admissions to places of amusement where coin-operated entertainment and amusement devices are provided; or
- make available coin-operated entertainment devices and amusement devices.

Note: This exemption does not include repair or replacement parts for these devices.

Vending machines, lottery devices, or gaming devices do not qualify for this exemption.

Jukebox purchases

Starting July 1, 2017, purchases of music by jukebox operators who charge customers for use of the jukebox are exempt from sales tax as long as the music is only used for the jukebox. The music may be either a digital audio work or in tangible form such as a record or compact disc. Previously, the purchases of music by jukebox operators were taxable.

Reporting sales tax

Who remits the tax?

The vending machine operator must report the sales tax due from vending machines. If you are the one who removes the money, you must report and remit the tax on all sales.

Tokens, tickets, and prizes

Most prizes given away to winners of games of chance, amusement, or skill are taxable to operators of the machines. Tokens used to operate the machines or tickets used to redeem prizes are also taxable to the operator. Purchases of tokens, tickets, and prizes are taxable unless the item itself is exempt or the exemption below applies.

There is an exemption for prizes for games of skill or chance conducted at events such as carnivals, festivals, and fairs *lasting less than six days*. Give your supplier a completed Form ST3, *Certificate of Exemption*. Use Code “Other” and write in “Prizes”.

Vending machine purchases

When you buy or lease a new or used vending machine or other coin-operated device for use in Minnesota, you must either pay sales tax or accrue use tax on the purchase price or lease payments.

If a Minnesota company buys a machine for temporary use in another state and later brings it into Minnesota for use, use tax is due on the purchase price of the machine. If you were required to pay another state’s sales tax, but it was lower than Minnesota’s rate, the use tax is based on the difference in rates. For more information, see “Use tax” on this page.

Repair parts and repair labor

Parts used to repair machines are taxable. Repair labor is not taxable if the repair labor is separately stated on the invoice. If labor is not separately stated, the entire amount of the invoice is taxable.

Use tax

Use tax applies when you buy, lease, or rent taxable items or services used in your business without paying sales tax to the seller. Use tax is based on your cost of the taxable item. For more information, see Fact Sheet 146, *Use Tax for Businesses*.

Some cities require licenses or permits to place vending machines at specific sites. If the permit or license is obtained by the owner of the premises, the operator of the machine is still responsible for the sales tax.

Calculating your sales tax

You must calculate sales tax on total receipts from vending machines and amusement devices. You cannot deduct the cost of items sold, machine rental, or space

rental. If you pay a rental fee or a percentage of sales to the owner of the machine's location, you must calculate sales tax before deducting any fees or commissions.

Separating taxable and nontaxable sales

If you sell both taxable and nontaxable items from vending machines, you must keep accurate records separating the sales of nontaxable items from the taxable sales. If records are not kept separating taxable and nontaxable items, all sales are considered taxable.

Subtracting sales tax from your receipts

Vending machine receipts include all applicable state and local sales tax. Since vending machine receipts include the sales tax collected, you need to subtract the sales tax from your receipts before you report your sales and use tax.

Credit for sales tax paid on products

If you paid sales tax on products you sold through vending machines, you must make an adjustment for the tax paid before you report the sales on your return. Report the full sales amount as "Gross receipts". Report the difference between the sales price of the item and your cost of the item (not including tax) as "General rate sales", and on any applicable local tax line. Since you already paid tax on your cost of the item, this adjustment will result in reporting tax on your markup only.

Local sales and use taxes

If you are making sales in an area with local taxes, local sales or use tax may also be due. For more information, see:

- Fact Sheet 164, *Local Sales and Use Taxes*
- Fact Sheet 164M, *Minneapolis Special Local Taxes*
- Fact Sheet 164S, *Special Local Taxes*

Note: Minneapolis entertainment tax also applies to the charge to use amusement devices or games in Minneapolis.

Required records

You must keep your receipts for all products, equipment, and repair parts that you buy. Be sure to keep any other records that show you have accurately reported your sales and that you have paid any use tax due on purchases.

How to report sales and use tax

You can report state, local sales, and use taxes electronically at www.revenue.state.mn.us. If you do not have Internet access, you can file by phone at 1-800-570-3329.

For more information on how to file:

1. Go to our website, www.revenue.state.mn.us
2. Click "Sales and Use Tax"
3. Under "I need to file Sales and Use Tax...", click "Electronically" or "Phone".

Legal References

Minnesota Statutes 297A.61

subd. 3, Sale and purchase

subd. 34, Taxable food sold through vending machines

Minnesota Statutes 297A.67

subd. 5, Exempt meals at schools

subd. 32, Cigarettes

Minnesota Statutes 297A.68

subd. 3a, Coin-operated entertainment and amusement devices

Other Fact Sheets

102A, *Food and Food Ingredients*

102B, *Candy*

102C, *Soft Drinks and Other Beverages*

102D, *Prepared Food*

102E, *Dietary Supplements*

105, *Clothing*

117A, *Drugs*

117F, *Grooming and Hygiene Products*

120, *Laundry and Cleaning Services*

146, *Use Tax for Businesses*

164, *Local Sales and Use Taxes*

164M, *Minneapolis Special Local Taxes*

164S, *Special Local Taxes*

Industry Guides

Motor Vehicle