

This notice was revoked and replaced on February 28, 2005 by Revenue Notice # 05-01.

Minnesota revenue notice number 02-09

Sales and Use Tax - Internet Access Charges

Issue

Internet access charges are not subject to Minnesota sales or use tax when they are separately stated from other taxable charges. Telecommunication service providers sometimes sell taxable telecommunication services along with Internet access for a monthly lump sum fee or bundled charge. These bundled transactions vary, but may include combinations of local telephone service, long distance telephone service, and wireless service along with Internet access for a single monthly amount.

The total charge for the bundled telecommunication services should be subject to Minnesota sales or use tax since the nontaxable Internet access charge is not separately stated. However, a federal law that is in effect through November 1, 2003, prohibits Minnesota from imposing sales tax on Internet access charges. (See Public Law No. 107-75, Internet Tax Non-Discrimination Act.)

Department Position

Since Minnesota is currently prohibited by federal laws from taxing Internet access charges, the department has taken the position that telecommunication service providers are allowed to deduct a reasonable amount from the sales price for Internet access before applying sales tax to the bundled charge. This applies only to the amount attributable to Internet access charges. If there are other nontaxable charges included in the bundled price, those charges remain taxable.

The telecommunications service provider must maintain adequate records to support the amount deducted for Internet access.

Expiration Date

This Revenue Notice expires effective November 2, 2003. Upon expiration of this Revenue Notice, Internet access charges are subject to sales or use tax unless separately stated on the customer's invoice.

Dated: July 8, 2002

Jennifer Engh
Assistant Commissioner for Tax Policy