

MINNESOTA DEPARTMENT OF REVENUE

Revenue Notice # 05-08: Sales and Use Tax – Rounding – Per Item or Per Invoice

Introduction

In computing sales or use tax to be collected or remitted as the result of a transaction, the tax computation must be carried to the third decimal place. Minnesota Statutes, section 297A.76, subdivision 1, provides that in computing the tax “amounts of tax less than one-half of one cent must be disregarded and amounts of tax of one-half cent or more must be considered an additional cent.” Additionally, when the seller is collecting or remitting both state and local taxes, this rounding rule shall be applied to the aggregated state and local taxes.

Issue

Whether sellers may elect to compute the tax due on a transaction on either an item basis or an invoice basis.

Department Position

Sellers may elect to compute the tax due on a transaction on either an item basis or an invoice basis.

Examples

1. Seller X sells the following taxable items to Purchaser A:
 - 10 widgets for \$19.65 total
 - 1 component part for \$3.56The applicable tax rate (aggregate of state and local) is 7.5%. Seller X elects to compute the tax due on a per item basis. The tax on the 10 widgets is \$1.47 (7.5% of \$19.65 = \$1.47375). The tax on the component part is \$0.27 (7.5% of \$3.56 = \$0.267). Using the rounding rule on a per item basis, the total tax is \$1.74.
2. Same as Example 1, except Seller X elects to compute the tax due on an invoice basis. The invoice price before tax is \$23.21. The tax rate of 7.5%, multiplied by \$23.21, equals \$1.74075. Using the rounding rule on an invoice basis, the tax is \$1.74.

Regardless of which method the seller uses to compute the sales tax on the transaction that is due from the customer, pursuant to section 297A.62, the seller must remit the sales tax imposed on the gross receipts from retail sales as defined in section 297A.61, subdivision 4.

John H. Mansun, Assistant Commissioner
for Tax Policy and External Relations

Publication Date: August 29, 2005