

Minnesota revenue notice number 98-19

Sales and Use Tax - Federal Excise Taxes

On May 21, 1998, the Minnesota Supreme Court, in the case of U.S. Sprint Communications Company, Ltd. , v. Commissioner of Revenue, 578 NW2d 752 (Minn. 1998), held that the federal excise tax on telephone service is not part of the consideration that customers pay for telephone service and, therefore, is not includable in the sale price for purposes of computing the Minnesota sales tax. This decision applies to all federal excise taxes that are imposed and collected from the purchaser at the retail level. The case has implications for all open tax years and refund claims may be filed for the sales tax previously paid on federal excise taxes provided that the tax periods are still open and provided that the refund will be returned to the purchaser by the seller.

Dated: 26 October 1998

Terese Koenig, Director
Appeals, Legal Services and Criminal Investigation Division