

# MINNESOTA DEPARTMENT OF REVENUE

## Modification of Revenue Notice # 99-05: Sales and Use Tax – Responsibility for Collection and Remittance of Sales Tax on Tickets Sold at Selling Events\*

\*With modifications shown (see “Key” below).

For the purpose of this revenue notice, an “operator” is considered a person who controls the renting or leasing of space to persons desiring to engage or conduct business as a seller at an event.

For the purpose of administering the sales and use tax law, the operator shall be responsible for collecting and remitting sales or use tax on the total sale of tickets at events where tickets, tokens and other similar vouchers are used for purchasing taxable items or taxable admissions.

Tax should be calculated on the gross receipts of all tickets sold, not on the amount redeemed. The operator must also pay sales or use tax on any tickets that are exchanged for consideration, *i.e.*, bartering tickets in exchange for advertising or volunteer help. If tax is included in the ticket price, the operator should reduce the gross receipts by the amount of tax included in the ticket price to determine the amount subject to tax.

When tickets are sold for items taxed at different rates, the operator must have a reasonable verifiable method in place to determine the receipts subject to sales tax at each tax rate. If no distinction can be made, all tickets are subject to tax at the higher rate.

**Example 1.** Different colored tickets are sold for food, soft drinks or alcoholic beverages from the various vendors at an event. Blue tickets are sold for \$1.00 each and can be used to purchase anything except alcoholic beverages. Orange tickets are \$1.50 each and can only be used to purchase alcoholic beverages. Sales tax is included in the price of each ticket.

*The operator must keep track of the number of orange tickets sold and the number of blue tickets sold. To determine the tax due, the operator should divide the gross receipts from the blue tickets by 1.065 to get the amount subject to tax. This amount should then be multiplied by 6.5% to get the state sales tax due on the blue tickets. The gross receipts from the orange tickets should be divided by 1.09 (the combined 6.5% sales tax and 2.5% liquor gross receipts tax rate) and that result multiplied by 9% both the sales tax rate and the liquor gross receipts tax rate to determine the state sales tax and the liquor gross receipts tax on the orange tickets. Any local option taxes also apply.*

**Example 2.** An event is held where the same ticket can be used to purchase food, soft drinks and alcoholic beverages from the various vendors. Individual vendors at the event sell both food and alcoholic beverages. The vendors are required to keep track of how many tickets are redeemed for alcoholic beverages and how many are redeemed for food and soft drinks and report that information to the operator.

In this example, the vendors reported that 1,000 tickets were redeemed for alcoholic beverages, and 2,000 tickets were redeemed for food and soft drinks. The total number of tickets sold or exchanged for consideration at the event was 3,500 and each ticket was sold for \$1.00, including sales tax.

*To determine the percent of the total ticket sales subject to both the ~~9-percent~~ 6.5% sales tax rate and the 2.5% liquor gross receipts tax rate, the operator divides the total number of tickets redeemed for alcoholic beverages by the total number of tickets redeemed. Next, multiply the total number of tickets sold or exchanged for consideration by the calculated percentage to determine the number of tickets subject to ~~9-percent~~ the state sales tax and the liquor gross receipts tax and then multiply by the ticket price. Divide the dollar value of those tickets by 1.09 to determine the amount subject to the sales and the liquor gross receipts tax. Then, multiply that amount by ~~9%~~ 6.5% to get the sales tax and by 2.5% to get the liquor gross receipts tax due for the alcoholic beverages. The remaining tickets sold or exchanged for consideration are subject to 6.5% ~~percent~~ state sales tax. All tickets are also subject to applicable local option taxes.*

Calculation for this example:  $1,000 / 3,000 = 33.3\%$   
 $3,500 \times 33.3\% = 1,166 \times \$1.00 = \$1,166.00$   
 $\$1,166.00 / 1.09 = \$1,069.4272$   
 $\$1,069.72 \times \del{9\%} 6.5\% = \del{\$96.27} \$69.53$  (Sales Tax)  
 $\$1,069.72 \times 2.5\% = \$26.74$  (Liquor Gross Receipts Tax)

$3,500 - 1,166 = 2,334$   
 $2,334 \times \$1.00 = \$2,334.00$   
 $\$2,334.00 / 1.065 = \$2,191.55$   
 $\$2,191.55 \times 6.5\% = \$142.45$

**Example 3.** Assume the same facts as set forth in Example 2, except that the selling event occurs in a city with a .5% local sales tax.

To determine the percent of the total ticket sales subject to the 6.5% state sales tax, the .5% local sales tax and the 2.5% liquor gross receipts tax, the operator divides the total number of tickets redeemed for alcoholic beverages by the total number of tickets redeemed. Next, multiply the total number of tickets sold or exchanged for consideration by the calculated percentage to determine the number of tickets subject to the state sales tax, the local sales tax and the liquor gross receipts tax and then multiply by the ticket price. Divide the dollar value of those tickets by 1.095 to determine the amount subject to the sales taxes and the liquor gross receipts tax. Then, multiply that amount by 6.5% to get the state sales tax, by .5% to get the local sales tax and by 2.5% to get the liquor gross receipts tax due for the alcoholic beverages.

The remaining tickets sold or exchanged for consideration are subject to both the 6.5% percent state sales tax and the .5% local sales tax.

Calculation for this example:  $1,000 / 3,000 = 33.3\%$   
 $3,500 \times 33.3\% = 1,166 \times \$1.00 = \$1,166.00$   
 $\$1,166.00 / 1.095 = \$1,064.84$   
 $\$1,064.84 \times 6.5\% = \$69.21$  (State Sales Tax)  
 $\$1,064.84 \times .5\% = \$5.32$  (Local Sales Tax)  
 $\$1,064.84 \times 2.5\% = \$26.62$  (Liquor Gross Receipts Tax)

$3,500 - 1,166 = 2,334$   
 $2,334 \times \$1.00 = \$2,334.00$   
 $\$2,334.00 / 1.07 = \$2,181.31$   
 $\$2,181.31 \times 6.5\% = \$141.79$  (State Sales Tax)  
 $\$2,181.31 \times .5\% = \$10.91$  (Local Sales Tax)

**Example 3 4.** Food and non-alcoholic beverage tickets are sold for \$1.00 each including sales tax. One thousand tickets are traded for six 30-second advertisements on the radio. Another 2,000 tickets are exchanged for volunteer help.

Since the tickets are exchanged for consideration in the form of advertising and volunteer help, the operator must calculate the tax due as follows:

$\$3,000 / 1.065 = \$2,816.90$   
 $\$2,816.90 \times 6.5\% = \$183.10$

Dated: 29 March 1999 — Terese Koenig, Director  
Appeals, Legal Services and Criminal  
Investigation Division

John H. Mansun, Assistant Commissioner  
for Tax Policy and External Relations  
Publication Date: June 18, 2007

**\*Key:** Underlining indicates additions to existing Revenue Notice language. Strikeouts indicate deletions from existing Revenue Notice language.

**Please see next page for a clean, printable copy of this notice as modified.**

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## Modification of Revenue Notice # 99-05: Sales and Use Tax – Responsibility for Collection and Remittance of Sales Tax on Tickets Sold at Selling Events\*\*

### \*\*As modified

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JOHN H. MANSUN, Assistant Commissioner  
for Tax Policy and External Relations  
Publication Date: June 18, 2007