

Department of Revenue

Revenue Notice # 13-03: Sales and Use Tax-Sales in Minnesota-Duty Free Shops

Background

This revenue notice explains the sales tax implications for sales of tangible personal property by duty free stores. Duty free stores are bonded warehouses created by the federal government under 19 U.S.C. § 1555. A class 9 warehouse is a duty-free store.

Under *Minnesota Statutes*, section 297A.62, subdivision 1, sales tax is imposed on sales “made in this state or to a destination in this state.” Under *Minnesota Statutes*, section 297A.668, subdivision 2(c), “when the product is not received by the purchaser at a business location of the seller, the sale is sourced to the location where receipt by the purchaser or the donee designated by the purchaser occurs, including the location indicated by instructions for delivery to the purchasers or the purchaser's donee, known to the seller.”

Department Position

A sale by a duty free store of tangible personal property that is received by the purchaser at the store, unless otherwise exempt under *Minnesota Statutes*, chapter 297A, is subject to sales tax, including tangible personal property sold to international passengers.

The following sales by duty free stores are considered to be made outside of Minnesota and are therefore exempt from sales tax:

- A sale made by a duty free store of tangible personal property that is delivered to the jet way to be distributed to purchasers who are passengers on flights with an ultimate international destination;
- A sale made by a duty free store of tangible personal property that is delivered to purchasers leaving the United States at ports of entry other than airports, when the tangible personal property purchased is delivered to the purchaser at the point of, or after the point of, exit from the United States.

However, travelers who received the tangible personal property, leave the United States, and later return to Minnesota with the tangible personal property may owe use tax.

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