

Transit Improvement Sales, Use and Vehicle Excise Tax

Begins July 1, 2008

Transit Improvement 0.25% sales and use tax

Beginning July 1, 2008, five counties in the metropolitan area will have a one quarter of one percent sales and use tax. The five participating counties listed below will be referred to as the “*transit tax area*” in this publication:

- Anoka County
- Dakota County
- Hennepin County
- Ramsey County
- Washington County

The tax will be administered by the Minnesota Department of Revenue. The tax will be used to fund improvements to the transit system, including light rail, commuter rail and bus rapid transit.

The Transit Improvement tax is one tax for all five counties – not five separate taxes. This tax is *separate and in addition* to the Hennepin County, St. Paul and Minneapolis sales and use taxes that already exist. *It does not replace these taxes.*

The *sales tax* applies to retail sales made within the transit tax area. The *use tax* applies to taxable items used in the transit tax area if the Transit Improvement *sales tax* was not paid. The tax applies to the same items that are taxable under the Minnesota sales and use tax law.

Fact Sheet 164, Local Sales and Use Taxes, contains more information about local taxes, and is available on our web site.

Use tax

Transit Improvement *use tax* applies when you are located in the transit tax area and you buy items or services without paying Transit Improvement *sales tax* to the vendor. Use tax is similar to the sales tax and the rates are identical. It is based on your cost of taxable purchases. Common examples of when you owe use tax are when:

- You buy items on the internet, by phone, or from any business and the seller doesn’t charge Transit Improvement sales tax, and you use the item for business or personal use in the transit tax area.
- You buy items for resale at your business, then remove some of the items from inventory for business or personal use in the transit tax area.

Reporting the tax

Transit Improvement sales and use tax is reported at the same time you report your Minnesota sales and use tax, but the figures are reported separately. There is one line to report Transit Improvement sales and a different line to report Transit Improvement use tax.

Figuring the tax

The Transit Improvement tax rate is one quarter of one percent (.25 percent or .0025). To figure the tax, combine the state sales tax rate (6.5 percent) and the Transit Improvement rate (0.25 percent), apply the combined rate (6.75 percent) to the sales price and round to the nearest full cent. If you are in Minneapolis, St. Paul, or Hennepin County, additional local taxes apply. New rate charts at various combination rates are on our web site. If you would like paper rate charts mailed to you, contact our office and specify what rate charts you need.

Charge Transit Improvement sales tax to customers from in or outside the transit tax area who *pick up* items in the transit tax area for business or personal use, even if the items are taken out of the transit tax area.

Charge Transit Improvement sales tax to customers from in or outside the transit tax area if you perform taxable services, such as dry cleaning or car washing, for them in the transit tax area.

Do **not** charge Transit Improvement sales tax on sales of taxable items to customers outside the transit tax area when you deliver the items to them by means of your own vehicle, common carrier, U. S. mail, or parcel post.

Exemption certificates

If your customer gives you a fully completed exemption certificate for state sales tax, also use that certificate as proof of exemption from the Transit Improvement sales tax.

Local governments

Local governments are **not** required to pay local general sales taxes. Local governments include cities, towns, counties, instrumentalities, political subdivisions, commissions, special districts and government boards. No exemption certificate is necessary. However, state sales tax generally applies.

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Vehicle sales

Transit Improvement Vehicle Excise Tax

Instead of the Transit Improvement sales tax, a \$20 Transit Improvement vehicle excise tax applies to sales of motor vehicles registered for road use. This excise tax must be collected by any person in the business of selling new or used motor vehicles at retail when the sale occurs in the transit tax area.

Vehicle definition

Motor vehicle means any self-propelled vehicle required to be licensed for road use and any vehicle propelled or drawn by a self-propelled vehicle required to be licensed for road use. It includes vehicles such as cars, vans, pick-ups, trailers, and motorcycles. It does not include snowmobiles or manufactured homes.

Who must collect the tax

The \$20 excise tax must be collected by any person in the business of selling new or used motor vehicles at retail when the sale occurs in the transit tax area. This tax is different than most taxes that apply to vehicles. This tax must be collected by the seller if the vehicle is sold in the transit tax area. The \$20 tax applies even if the buyer is from out of state and will take the vehicle out of Minnesota for registration. The \$20 tax is not connected to registration, but rather to the sale. The Deputy Registrar does not collect this tax.

Where to report and remit the tax

This excise tax must be reported on your electronic sales tax return at the same time you report your Minnesota sales and use tax. You fill in the number of vehicles sold on the transit tax vehicle line and the system will automatically calculate the \$20 excise tax for each vehicle. Remit the tax along with the other state and local sales and use tax that is due.

Registration

If you are in the business of selling new or used motor vehicles at retail, you must collect and remit this excise tax. We have automatically registered many dealers for the Transit Improvement excise tax.

- If you received a separate letter notifying you that you are automatically registered for the vehicle excise tax, your return will include a line for you to report the number of motor vehicles sold in the transit tax area, beginning with your July 2008 return.

- If you did not receive a letter notifying you that you are automatically registered for the tax, see “*How to register*” on page four of this notice.

Who is exempt?

Individuals, institutions, businesses, non-profit organizations, and state and local government agencies must pay the excise tax. Only the following are exempt:

- Federal government agencies,
- Vehicles that are not required to be licensed for road use, such as marked police cars, fire trucks and ambulances,
- Vehicles for resale.

Vehicles delivered into another area

Since the sale occurs where the purchaser takes possession of the vehicle, the following guidelines apply:

- If the vehicle is sold in the transit tax area but is *delivered out of the transit tax area*, the \$20 excise tax does not apply. For example, a dealer in St. Paul, MN sells the car at the dealership, but delivers it to Hudson, WI, so the \$20 excise tax does not apply. Since the customer takes possession of the car outside the transit tax area, the sale occurs outside the transit tax area and the tax does not apply.
- If the vehicle is sold outside the transit tax area but is *delivered into the transit tax area*, the \$20 excise tax applies. For example, a dealer in Hudson, WI sells the car at the dealership, but delivers it to St Paul, MN, so the \$20 excise tax applies. Since the customer takes possession of the car within the transit tax area, the sale occurs in the transit tax area and the tax applies.

Leased vehicles

The \$20 excise tax does not apply to leased vehicles. If the lease is for a vehicle that requires an up-front payment of state sales tax, Transit Improvement sales tax is also due up-front for leases entered into July 1, 2008, or after, if the vehicle is principally garaged in the transit tax area.

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How to handle transitional sales

Tangible items

Transit Improvement tax does not apply to sales of tangible items or vehicle sales if you have a bona fide written contract enforceable before July 1, 2008, and the items are delivered on or before July 31, 2008.

Service contracts

If there is an enforceable contract for taxable services in effect before July 1, 2008, and payment is made before July 1, 2008, Transit Improvement sales tax does not apply to services provided through July 31, 2008. Beginning August 1, 2008, Transit Improvement sales tax applies regardless of when the contract was entered into or when payment was made.

Leases

Transit Improvement sales tax does not apply to lease payments that include periods before July 1, 2008. It does apply to lease payments for periods beginning July 1, 2008, or after. If the lease is for a vehicle that requires an up-front payment of state sales tax, Transit Improvement sales tax is also due up-front for leases entered into July 1, 2008, or after, if the vehicle is principally garaged in the transit tax area.

Utility sales

Transit Improvement tax does not apply to utility bills that include charges for service for any date before July 1, 2008. It does apply to utility bills for service periods beginning July 1, 2008, or after.

Admission tickets

If admission tickets are purchased and paid for before July 1, 2008, the Transit Improvement sales tax does not apply, even if the event occurs July 1, 2008, or after.

Construction contracts

New procedure! To claim exemption, contractors and subcontractors must now use Form ST3 (Revised 6/08), which is now available on our web site. No need to apply to our office for an ST8 Contractors Exemption Certificate, as was done in the past.

Transit Improvement sales and use taxes do not apply to building materials for a lump-sum construction contract in force before July 1, 2008, if delivery is made before December 31, 2008. To qualify for the exemption:

- the construction contract must be signed and in force before July 1, 2008;
- the contract must be a bona fide written lump-sum or fixed-price construction contract (meaning that the contractor is locked into a price for completing the contracted work, with no provision for an increase in the price due to tax increases); and
- the building materials must be used exclusively on the qualifying contract and delivered before December 31, 2008. Purchases delivered after that date are subject to Transit Improvement sales tax.

Documentation. You must have the documentation described below in your records to verify the exemption:

- the owner (the person contracting for the work);
- the name, location of the project, and contract or project number;
- the contract price and payment terms;
- the date of the contract and signatures; and
- a listing of subcontractors with qualifying contracts.

To claim exemption, give a fully completed Form ST3, Certificate of Exemption, to each supplier. Suppliers must keep all exemption certificates. **Do not** send exemption certificates to the Department of Revenue.

Reminder: When the conditions above are followed, only the Transit Improvement tax is exempt. State and other local sales and use taxes still apply.

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For others who need to register

Who must be registered

All retailers who are registered to collect Minnesota sales tax and are doing business in the transit tax area (Anoka, Dakota, Hennepin, Ramsey, and Washington counties) must be registered to collect the Transit Improvement tax. This includes sellers outside the transit tax area who:

- have an office, distribution, sales, sample, or warehouse location, or other place of business in the transit tax area either directly or by a subsidiary;
- have a representative, agent, salesperson, canvasser, or solicitor in the transit tax area, either on a permanent or temporary basis, who operates under the authority of the retailer or its subsidiary for any purpose, such as repairing, selling, installing, or soliciting orders for the retailer's taxable goods or services, or leasing tangible personal property in the transit tax area;
- ship or deliver tangible personal property into the transit tax area; or
- perform taxable services in the transit tax area.

How to register

To register for any of the Transit Improvement taxes:

- Log into e-File Minnesota. Click on "Update business information" on the Main Menu page. Click on the "Sales and use tax" link in the left sidebar. Click "Continue" to advance to the "Additional taxes" page and add Transit Improvement sales and/or excise tax.
- If you file over the internet, you may register for the Transit Improvement taxes on-line when you file your July 2008 sales tax return. On the "File a return" page, before you enter your figures, click "Add a sales tax type" and check the box for Transit Improvement sales, use or excise tax.
- If you file by phone, you must register for Transit Improvement taxes before you file your return. Call 651-282-5225 or toll free 1-800-657-3605 or e-mail us at salesuse.tax@state.mn.us to register. Be sure to include your Minnesota tax ID number if you send us an e-mail.

Information and assistance

Call: 651-296-6181 or toll free 1-800-657-3777

Fax: 651-556-3102

E-mail: salesuse.tax@state.mn.us

Web site: www.taxes.state.mn.us

Write: Minnesota Revenue
Sales and Use Tax Division
Mail Station 6330
St. Paul, MN 55146-6330

Transit Improvement Tax Area

Anoka, Dakota, Hennepin, Ramsey, Washington Counties

Cities and towns in the transit improvement tax area

Afton	Denmark	Inver Grove Heights	Minnetonka	Sciota
Andover	Douglas	Lake Elmo	Minnetonka Beach	Shoreview
Anoka	Eagan	Lake St. Croix Beach	Minnetrissa	Shorewood
Apple Valley	East Bethel	Lakeland	Mound	South St. Paul
Arden Hills	Eden Prairie	Lakeland Shores	Mounds View	Spring Lake Park
Bayport	Edina	Lakeville	New Brighton	Spring Park
Baytown	Empire	Landfall	New Hope	St. Anthony
Bethel	Eureka	Lauderdale	New Trier	St. Bonifacius
Birchwood Village	Excelsior	Lexington	Newport	St. Francis*
Blaine	Falcon Heights	Lilydale	Nininger	St. Louis Park
Bloomington	Farmington	Lino Lakes	North Oaks	St. Mary's Point
Brooklyn Center	Forest Lake	Linwood	North St. Paul	St. Paul
Brooklyn Park	Fort Snelling	Little Canada	Northfield*	St. Paul Park
Burns	Fridley	Long Lake	Oak Grove	Stillwater
Burnsville	Gem Lake	Loretto	Oak Park Heights	Sunfish Lake
Castle Rock	Golden Valley	Mahtomedi	Oakdale	Tonka Bay
Centerville	Grant	Maple Grove	Orono	Vadnais Heights
Champlin	Greenfield	Maple Plain	Osseo	Vermillion
Chanhassen*	Greenvale	Maplewood	Pine Springs	Waterford
Circle Pines	Greenwood	Marine on St. Croix	Plymouth	Wayzata
Coates	Grey Cloud Island	Marshan	Ramsey	West Lakeland
Columbia Heights	Ham Lake	May	Randolph	West St. Paul
Columbus	Hampton	Medicine Lake	Ravenna	White Bear
Coon Rapids	Hanover*	Medina	Richfield	White Bear Lake
Corcoran	Hassan	Mendota	Robbinsdale	Willernie
Cottage Grove	Hastings	Mendota Heights	Rockford*	Woodbury
Crystal	Hilltop	Miesville	Rogers	Woodland
Dayton	Hopkins	Minneapolis	Rosemount	
Deephaven	Hugo		Roseville	
Dellwood	Independence		Scandia	

*Part of this city is outside the five county taxing area. Transit Improvement taxes only apply to addresses within the five counties.

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Transit Improvement Tax Area

Anoka, Dakota, Hennepin, Ramsey, Washington Counties

Zip codes in the transit improvement tax area

The general zip codes for the metro tax area are listed below. Unfortunately, zip codes do not correspond exactly with the county boundaries, so some zip code areas are partly inside and partly outside the area. Zip codes that are outside of the metro tax area are not listed.

55001	55082	55125	55304	55387*	55426	55467
55003	55083	55126	55305	55388*	55427	55470
55005*	55085	55127	55306	55391	55428	55472
55009*	55089*	55128	55311	55392	55429	55473
55010	55090	55129	55316	55393	55430	55474
55011	55092*	55130	55317*	55401	55431	55479
55013*	55101	55133	55323	55402	55432	55480
55014	55102	55144	55327*	55403	55433	55483
55016	55103	55145	55328*	55404	55434	55484
55024	55104	55146	55330*	55405	55435	55485
55025*	55105	55150	55331*	55406	55436	55486
55031	55106	55155	55337	55407	55437	55487
55033	55107	55161	55340	55408	55438	55488
55038	55108	55164	55341*	55409	55439	55569
55040*	55109	55165	55343	55410	55440	55570
55042	55110	55166	55344	55411	55441	55571
55043	55111	55168	55345	55412	55442	55572
55044*	55112	55169	55346	55413	55443	55574
55047	55113	55170	55347	55414	55444	55576
55055	55114	55171	55348	55415	55445	55577
55057*	55115	55172	55356	55416	55446	55578
55065	55116	55175	55357	55417	55447	55579
55068	55117	55177	55359	55418	55448	55592
55070*	55118	55182	55361	55419	55449	55593
55071	55119	55187	55364	55420	55450	55595
55073*	55120	55188	55369	55421	55454	55596
55075	55121	55190	55373*	55422	55455	55597
55076	55122	55191	55374*	55423	55458	55598
55077	55123	55199	55375	55424	55459	55599
55079*	55124	55303	55384	55425	55460	

*Part of this zip code is outside the five county taxing area. Transit Improvement taxes only apply to addresses within the five counties.

There are several “unique” zip codes listed above that are for specific businesses. For example, banks and department stores in downtown Minneapolis may have their own zip code.

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