



This information will help determine if you need to collect use tax from an individual registering a snowmobile, all-terrain vehicle (ATV), or watercraft. We will refer to these as DNR vehicles or vehicles in this document. When an individual paid the applicable Minnesota Sales or Use Taxes, you do not need to collect tax from them.

## What is sales tax?

Sales tax applies to sales of tangible personal property, taxable services, and digital products in Minnesota. Businesses collect the sales tax due and remit the sales tax collected when they file their Sales and Use Tax return.

## What is use tax?

When a business or individual buys taxable goods or services and the seller does not charge Minnesota sales tax, they owe use tax on the cost of the item. When an individual registers a snowmobile, ATV, or watercraft and did not pay sales tax at the time of the purchase, they owe use tax when they register the vehicle.

We have addressed some of the common situations where use tax may or may not be due on a DNR vehicle. When the individual does not provide documentation showing they paid Minnesota Sales Tax and the vehicle is taxable, you must collect use tax from them to register the vehicle. (Minnesota Statute 297A.825, subd. 1)

- **Private party sales**
  - Was the vehicle purchased from a private party (an individual)?
    - A. **Yes.** The purchase is not taxable.
    - B. **No.** The DNR vehicle was purchased from a business. The purchase may be taxable.
      - When the vehicle was purchased from a dealer or a company in the business of selling DNR vehicles, the purchase is taxable.
      - When the vehicle was purchased from a company that is not in the business of selling DNR vehicles, it may be taxable. See the Vehicle purchased from a business (non-dealer) section.
  - **Note:** The Department of Public Safety's rules cover street legal Off Highway Motorcycles (OHMs) and Off-Road Vehicles (ORVs). On initial registration of OHMs and ORVs, the DNR does not have a statute requiring proof of sales tax payment.

### Legal References

- Minnesota Statute 297A.67, subd. 23
  - Minnesota Rule 8130.5800
  - Sales Tax Fact Sheet 132, Isolated and Occasional Sales
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- **Vehicle purchased from a business (non dealer)**

- Was the vehicle primarily used by the seller in their normal course of business?
  - A. **No.** The purchase is not taxable.
  - B. **Yes.** The purchase is taxable unless any of the following apply:
    - The vehicle was a sale of most or all of the seller's business assets
    - The seller's sales of business property during the month of the sale, plus the proceeding 11 months, did not exceed \$1,000
    - The sale qualified and was reported as a transaction under one of the following Internal Revenue Code sections: 118, 331, 332, 336, 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or 1563(a). The customer should know their purchase is covered by one of these sections and provide the necessary documentation.

Legal References

- Minnesota Statute 297A.68, subd. 25
  - Minnesota Statute 297A.67, subd. 23
  - Minnesota Rule 8130.5800
  - Sales Tax Fact Sheet 132, Isolated and Occasional Sales
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- **Tribal Governments**

- Are DNR vehicles purchased by tribal governments and their members taxable?
  - A. DNR vehicles purchased **off** the reservation by an individual tribal member are taxable.
  - B. DNR vehicles purchased by an individual tribal member or non-member **on** one of the following nine reservations are taxable:
    - Bois Forte Chippewa Reservation, Nett Lake
    - Fond du Lac Chippewa Reservation, Cloquet
    - Grand Portage Chippewa Reservation, Grand Portage
    - Leech Lake Chippewa Reservation, Cass Lake
    - Lower Sioux Reservation, Morton
    - Mille Lacs Chippewa Reservation, Vineland
    - Shakopee Mdewakanton Sioux Reservation, Prior Lake
    - Upper Sioux Reservation, Granite Falls
    - White Earth Chippewa Reservation, White Earth

- **Note:** DNR vehicles purchased or leased on or off of a reservation by a tribal government (listed above) or by businesses owned by the tribal government are exempt. This includes the following tribal governments and any businesses they own:
  - Red Lake Band of Chippewa Indians. This agreement specifies that no sales tax is collected on sales occurring on the reservation or delivered by the seller to the Red Lake Reservation.
  - Prairie Island Sioux Reservation in Welch. Sales occurring on this reservation, or delivered by the seller onto this reservation, to Prairie Island members who live on the reservation are not subject to Minnesota Sales Tax.
- Sales to tribal governments
  - To make purchases exempt, the tribal government must provide a purchase order, payment voucher, or work order showing that the tribal government is the purchaser. They may also provide an exemption letter issued to the tribal government by the Minnesota Department of Revenue.

#### Legal References

- Minnesota Statute 270C.19, subd. 1 and 2
  - Sales Tax Fact Sheet 160, Tribal Governments and Members
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- **Raffles**

- Does the registrant or vehicle owner owe tax on a vehicle won through a raffle?
  - A. The person or organization that purchased the vehicle to donate it to the raffle owes sales or use tax on the vehicle.
  - B. The winner of the raffle does not owe sales or use tax, but they must provide one of the following during registration:
    - Documentation that the DNR vehicle was won at a raffle
    - Documentation that the vehicle donor paid sales or use tax on the vehicle.

#### Legal References

- Minnesota Statute 297A.63, subd. 1
  - Minnesota Rule 8130.3800
  - Sales Tax Fact Sheet 146, Use Tax for Businesses
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- **Gifting**

- When a person or organization is given a DNR vehicle, they do not owe sales or use tax. The person or organization who gave the vehicle is responsible for paying the sales or use tax on the DNR vehicle.
- DNR vehicles that a company takes out of inventory and gives away inside or outside Minnesota are subject to sales or use tax, unless an exemption applies.

## Legal References

- Minnesota Statute 297A.63, subd. 1 (a)
  - Minnesota Statute 297A.61, subd. 6 (a)
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- **Government Agencies**

- Government agency purchases
  - A. Was the DNR vehicle purchased by a government agency?
  - B. **Yes.** Use the following criteria if the purchase by the government is taxable:
    - **Federal government** – Purchases by the federal government are not taxable. To be exempt from tax, purchases must be billed to and paid for directly by the federal government. They must provide Form ST3, Certificate of Exemption or proof of direct billing and payment. Examples of acceptable proof are a purchase order, payment voucher, or work order. Purchases made by employees and reimbursed by the federal government are taxable.
    - **Minnesota state agencies** are not exempt from paying sales and use tax. However, they use a Direct Pay Permit to purchase things exempt and pay use tax directly to the Department of Revenue. To purchase items exempt, state agencies must provide their vendor with an exemption certificate or purchase order containing the equivalent information.
    - **Local governments** are generally exempt from paying sales and use tax. Local governments must provide a completed Form ST3, Certificate of Exemption certificate to the seller.
    - **Tribal Governments.** See Tribal Governments.
- Government agency sales
  - A. Goods or services sold by the federal government are taxable tax, unless an exemption applies.
  - B. Local governments and state agencies generally provide nontaxable services to the public. However, they must charge sales tax when they sell goods or services, unless an exemption applies.

## Legal References

- Minnesota Statute 297A.70, subd. 2
  - Minnesota Statute 297A.89
  - Minnesota Rule 8130.3400
  - Government – Federal and Foreign Diplomats Industry Guide
  - Government – Local Governments Industry Guide
  - Government – State Agencies Industry Guide
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- **Sales by trusts**

- Did the customer purchase the DNR vehicle from an estate or a trust?
  - A. The sale of a DNR vehicle from an estate or an individual trust is not taxable.
  - B. The sale of a DNR vehicle from a business trust is taxable when the vehicle was either:
    - a sale of business inventory
    - the sale of a business asset principally used in the course of business.

See the Vehicle purchased from a business (non-dealer) section.

Legal References

- Minnesota Statute 297A.61, subd. 2(b)
  - Minnesota Statute 297A.67, subd. 23
  - Minnesota Rule 8130.5800
  - Sales Tax Fact Sheet 132, Isolated and Occasional Sales
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- **Purchased for Lease or Rental**

- Was the vehicle purchased to lease or rent?
  - A. **Yes.** The purchase is not taxable. The purchaser is responsible for collecting sales tax on the lease or rental of the vehicle. The business must show their Minnesota Tax ID Number or ST3 Certificate of Exemption form to complete the registration.
  - B. **No.** The purchase is taxable.

Legal References

- Minnesota Statute 297A.61, subd. 4 (a) (1)
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- **Nonresidents**

- Did a non-resident purchase a DNR vehicle while in Minnesota?
  - A. **Yes.** The vehicle purchase is taxable.
  - B. When a non-resident purchases a vehicle outside of Minnesota, it is not taxable. The non-resident should have a copy of registration or proof of residency in another state.

Legal References

- Minnesota Statute 297A.62, subd. 1
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- Minnesota Statute 297A.665 (a)
  - Minnesota Rule 8130.4300, subp. 1
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- **Sales to Minnesota residents by out-of-state dealers**

- Sales to Minnesota residents, in-state and out of state, are subject to Minnesota's general rate sales tax plus any applicable local taxes.
  - A. Look at the top of the manufacturer's statement of origin (MSO) for an out-of-state address. These are more likely to not have Minnesota sales tax included.
    - The taxable purchase price is the entire cost of the package (boat, motor, fish finder, etc.) minus the cost of the trailer.
    - Minnesota allows credit for sales tax paid in another state, up to the total state and local tax due in Minnesota.
    - When the sales tax paid in another state is less than the tax due in Minnesota, the difference is due as Minnesota Use Tax.

Legal References

- Minnesota Statute, Section 297A.80
  - Minnesota Rule, Part 8130.4400
  - Sales Tax Fact Sheet 156, Use Tax for Individuals
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- **Auction sales**

- Which type of seller hired the auction service?
  - A. When the seller is a private party, the sale is not taxable.
  - B. When the seller is a dealer, banker, or insurance company, the sales is taxable.

Ask to see the itemized purchase agreement from the auction.

Legal References

- Minnesota Statute 297A.67, subd. 23
  - Minnesota Rule 8130.5800
  - Sales Tax Fact Sheet 132, Isolated and Occasional Sales
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- **Brokered sales**

- Does the title and the money pass directly between the buyer and seller in the brokered sale?
  - A. **Yes.** The brokered sale is not taxable, unless the seller is selling business inventory or assets principally used in the business.
  - B. **No.** The brokered sale is taxable (see the Financial Institutions and Insurance Companies section for further details).

For this exemption to apply, both of the following conditions must be true:

- the money (except brokerage fee) cannot pass through the broker's accounts
- the broker must not appear in the documentation of ownership

#### Legal References

- Sales Tax Fact Sheet 132, Isolated and Occasional Sales
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- **Financial institutions and insurance companies (or their auction services)**

- Sales of DNR vehicles by these organizations are taxable.
- Items held for resale by these organizations are considered exempt for resale and are not taxable.

#### Legal References

- Minnesota Statute 297A.61, subd. 4 (1)
  - Sales Tax Fact Sheet 132, Isolated and Occasional Sales
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- **Internet or mail order purchases of DNR vehicles**

- The purchase is taxable, unless documentation is provided to show the sale was between individuals. See Private party sales.

#### Legal References

- Minnesota Statute 297A.61, subd. 4 (a) (1)
  - Minnesota Statute 297A.67, subd. 23
  - Minnesota Rule 8130.5800
  - Sales Tax Fact Sheet 156, Use Tax for Individuals
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- **Public or non-profit private schools**

- Purchases of DNR vehicles by a public or nonprofit private school is not taxable.

#### Legal References

- Minnesota Statute 297A.70, subd. 2 (a) (2)
  - Minnesota Rule 8130.6200, subp. 1
  - Sales Tax Fact Sheet 111, Schools – Sales and Purchases
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- **All-Terrain vehicles (ATVs) for agricultural production**

- When an ATV is purchased for use in agricultural production, the purchase is not taxable.
- The DNR may issue a Private/Agricultural and/or Public Use registration at any time if the customer meets the exemption requirements.

Legal References

- Minnesota Statute 297A.69, subd. 4 (1)
  - Agricultural and Farming Industry Guide
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- **Police and fire departments not operated by a local government**

- Purchases of DNR vehicles by police and fire departments are taxable unless they are operated by a local government. For more information, see the Government Agencies – Local Governments section.

Legal References

- Sales Tax Fact Sheet 135, Fire Fighting, Policy, and Emergency Equipment
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- **Homemade DNR vehicles**

- A homemade DNR vehicle that was purchased as a kit is taxable unless sales tax was paid to the vendor.
- A homemade DNR vehicle purchased as parts is taxable unless the purchaser paid sales tax on all of the individual parts.

Legal References

- Minnesota Statute 297A.61, subd. 4 (a) (1)
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