

Use Tax for Individuals

Sales Tax Fact Sheet 156

What's New in 2019

We clarified when sales and purchases of aircraft and off-road vehicles are taxable.

Minnesota Use Tax applies when you buy, lease, or rent taxable items or services and the seller does not charge Minnesota Sales Tax. Individuals may buy up to \$770 worth of taxable goods during the calendar year without paying use tax.

If you buy more than \$770 of taxable items in a calendar year, all of your purchases are taxable.

If the items you're buying are for use in a business, the \$770 exemption does not apply.

Note: This exemption does not apply if the seller is required to collect Minnesota Sales and Use Tax.

Use Tax Definition

Use tax is the counterpart to sales tax. Minnesota's use tax rate is the same as the sales tax rate (6.875%, though local taxes may also apply) and has the same exemptions. When you buy a taxable item for your own use without paying sales tax, you may owe use tax. Some common situations where you may owe use tax include:

- You buy taxable items or services online without paying sales tax
- You buy taxable items outside of Minnesota
- You buy taxable items from another country, even if foreign taxes or duties were paid
- You buy taxable items or services and the Minnesota seller does not charge you sales tax

Aircraft

Sales of aircraft by dealers or individuals are taxable unless an exemption applies. For more information, see the Aircraft Industry Guide.

Off-Road Vehicles and Watercraft

If you purchase an off-road vehicle (ATVs, snowmobiles, etc.) or watercraft from a dealer, state and local taxes are due, unless an exemption applies. If tax was not paid at the time of purchase or when the item was registered, you must report use tax.

If you purchase an off-road vehicle or watercraft from an individual (a person not engaged in a trade or business) it may be exempt as an isolated or occasional sale. For more information, see Isolated and Occasional Sales Fact Sheet.

Alcoholic Beverages

When you enter Minnesota with more than 1 liter of intoxicating liquor or more than 288 ounces of malt liquor – on which you did not pay Minnesota Sales Tax – you may be required to file and pay Alcoholic Beverage Excise Tax. For more information, see Form LB58, *Alcoholic Beverage Excise Tax Return*.

Cigarettes

When you buy cigarettes in Minnesota, the price you pay includes Minnesota Cigarette Excise Tax and the Cigarette Sales Tax. If you buy cigarettes outside the state and are not charged these Minnesota taxes, you may need to file Form CT203, *Cigarette Use Tax Return*.

Tobacco

When you buy tobacco products in Minnesota, the price you pay includes Minnesota Tobacco Tax and the Health Impact Fee. When you buy tobacco products outside the state and are not charged these Minnesota taxes, you may need to file Form CT303, *Tobacco Use Tax Return*.

Ready-to-Move Home or Log Home

Uninstalled ready-to-move home or log home from outside Minnesota are taxable when you are responsible for the hookup of electrical and plumbing, and the completion of the masonry work.

Manufactured homes for residential use are taxed at a rate of 4.225 percent. For more information, see *Manufactured Homes, Park Trailers, and Modular Homes Fact Sheet*.

Out-of-State Businesses

Out-of-state businesses are not always required collect Minnesota sales tax unless they have a physical presence in the state such as a store, warehouse, salesperson, etc. Some businesses may be required to collect sales tax for other reasons.

Out-of-state businesses have to register and collect Minnesota sales tax when they do all of the following:

- Enter into an agreement with a solicitor for the referral of Minnesota customers (a link on a website or otherwise) for a commission
- Receive gross receipts from such referrals of at least \$10,000 in the 12-month period ending on the last day of the most recent calendar quarter
- Have economic nexus (other taxable business activities) in Minnesota

For more information, go to our website www.revenue.state.mn.us and type **remote sellers** into the Search box.

Tipline

If you know someone is not charging tax correctly, you can leave a confidential message on our Tipline at 651-297-5195 or 1-800-657-3500 (toll-free).

Penalties

When you fail to report and pay use tax on taxable items, you may be assessed tax, penalties, and interest.

Local Sales and Use Tax

Many cities and counties in Minnesota have local sales and use taxes. You owe local use tax if you buy taxable items for use in these localities and are not charged local sales tax. Local taxes are listed and explained in *Local Sales and Use Taxes Fact Sheet*.

I Paid Sales Tax to Another State

Minnesota allows credit for sales tax you were legally required to pay to another state or locality because you picked up your purchase there.

You still owe use tax to Minnesota if you paid a lower rate than Minnesota's general sales tax (6.875%). You pay the difference in rates as a variable rate use tax to Minnesota.

Example

You live in Red Wing, Minnesota. You buy and pick up furniture in La Crosse, Wisconsin. The seller charges 5.5% sales tax (5% Wisconsin state sales tax and 0.5% La Crosse County sales tax). You bring the furniture back to use in your house in Red Wing. As a result, you owe Minnesota use tax as follows:

$$\begin{array}{r} 6.875\% \text{ Minnesota sales tax rate} \\ - 5.500\% \text{ Wisconsin state and local sales tax} \\ \hline = 1.375\% \text{ Variable rate use tax due to Minnesota} \end{array}$$

You record and pay the 1.375% difference as variable rate use tax when you file your Minnesota use tax return.

How to Report and Pay Use Tax

Individuals who owe use tax file a use tax return annually. These returns are due by April 15 of the following year.

You can file your annual use tax return in our e-Services system. Visit our website at www.revenue.state.mn.us and type **individual use tax** in the Search box.

You may also file on paper using Form UT1, *Individual Use Tax Return*. To get the form:

- Visit our website at www.revenue.state.mn.us and type **UT1** into the Search box.
- Call us at 651-296-6181 or 1-800-657-3777 (toll-free).

Legal References

Minnesota Statute 297A.63, Use taxes imposed; rates
Minnesota Statute 297A.66, Jurisdiction to require collection and remittance of tax by retailer
Minnesota Statute 297A.67, subdivision 21, De minimus exemption
Minnesota Statute 289A.11, subdivision 1, Return required

Other Fact Sheets

Delivery Charges
Isolated and Occasional Sales
Local Sales and Use Taxes
Manufactured Homes, Park Trailers, and Modular Homes
Use Tax for Businesses

Industry Guides

Aircraft