

m1 DEPARTMENT OF REVENUE


Sales and Use Tax for the Agricultural and Farming Industry

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Minnesota Business Tax Education December 2022

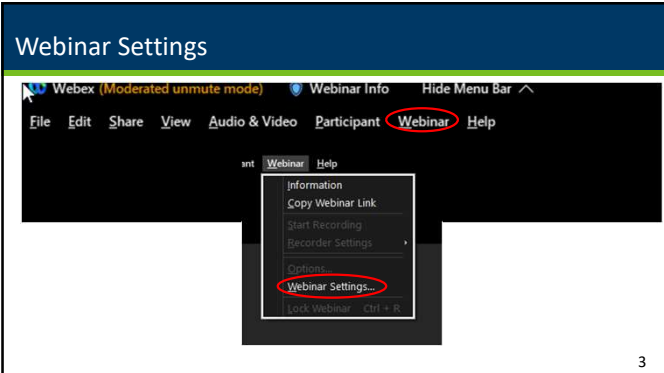
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About the Webinar



2

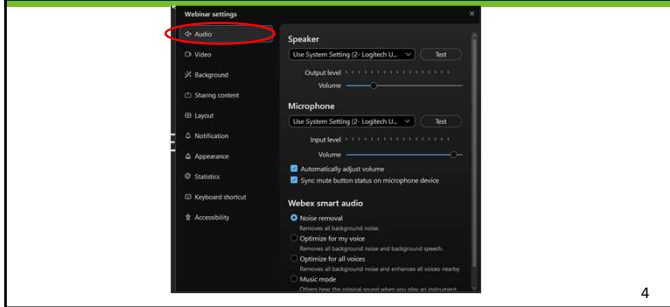
Webinar Settings



The screenshot shows a Webex window with a menu bar: File, Edit, Share, View, Audio & Video, Participant, Webinar, Help. The 'Webinar' menu is open, showing options: Information, Copy Webinar Link, Start Recording, Recorder Settings, Options, Webinar Settings... (circled in red), and Lock Webinar (Ctrl + R).

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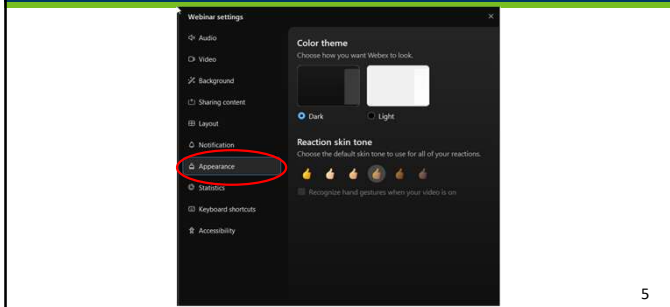
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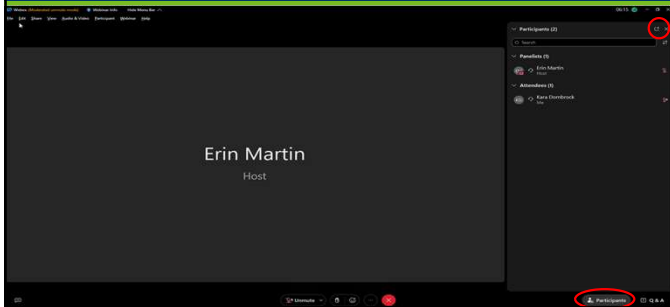
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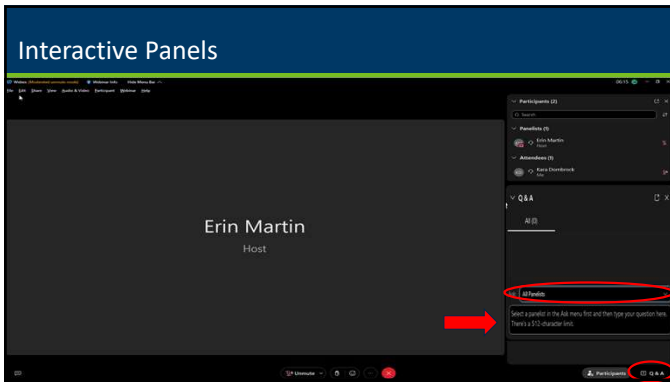
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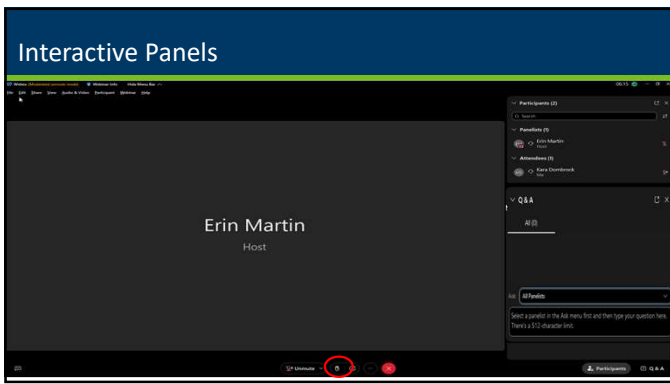
Interactive Panels



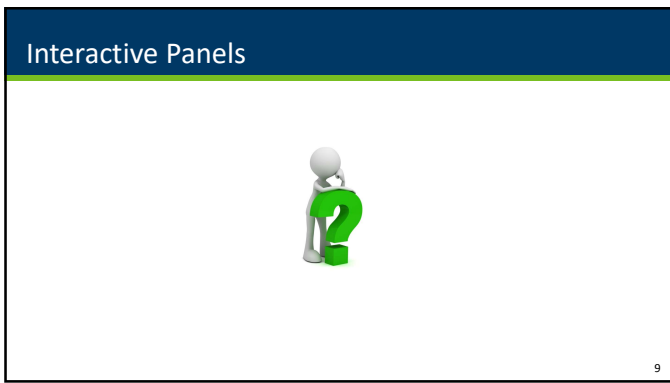
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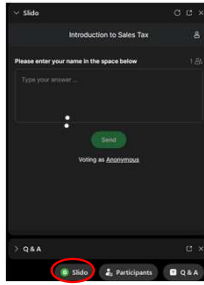


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Interactive Panels



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Practice Poll Question



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11

Disclaimer

This presentation is for educational purposes only and does not provide tax advice. It is meant to accompany an oral presentation and not to be used as a standalone document.

This presentation is based on the facts and circumstances being discussed, and on the laws in effect when it is presented. It does not supersede or alter any provisions of Minnesota laws, administrative rules, court cases, or revenue notices.

If you have any questions, contact us at salesuse.edu@state.mn.us, 651-296-6181, or 1-800-657-3777 (toll-free).



Minnesota Business Tax Education Program
Providing education opportunities about Minnesota tax laws.

12

Course Description

This course covers how Minnesota Sales and Use Tax laws apply to the agricultural and farming industry in Minnesota.

The taxability of items and services depends on their exact use in each situation.

- What items are exempt?
- What items are taxable?

13

13

Course Objectives

After completing this course, you will be able to:

- Apply the basic sales and use tax concepts for Minnesota and its local taxing jurisdictions to your business
- Identify how to use and when to accept an exemption certificate
- Distinguish how sales and use tax law applies to the agricultural and farming industry
- Use e-Services to file a sales and use tax return
- List several resources that answer your sales and use tax questions

14

14

What is agricultural production?

A series of activities that result in a product that will ultimately be sold at retail. The process

- **Begins** when you purchase or breed a qualifying animal or you prepare the soil for planting crops.
- **Ends** when you place the livestock or crops into finished goods inventory.

15

15

Who qualifies for the agricultural production exemption?

- Animal farms and ranches
- Breeding operations
- Crop farms
- Fish farms
- Greenhouses and nurseries
- Sod farms
- Tree farms

16

16

Sourcing of Transactions

Sourcing determines where the sale takes place and which taxes are imposed on the sale.

1. Seller's Address

2. Delivery Address

3. Billing Address

17

17

Sourcing to Seller's Address



18

18

Sourcing to Delivery Address



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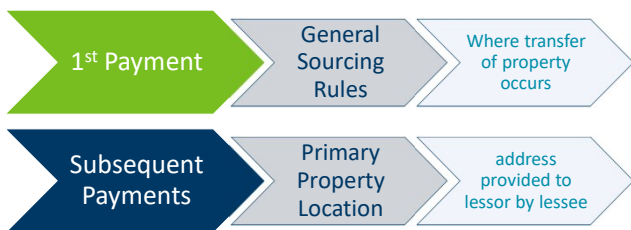
Sourcing to Billing Address



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20

Sourcing Rules for Leases or Rentals of TPP



21

21

What is the tax rate?



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22

Local Taxes



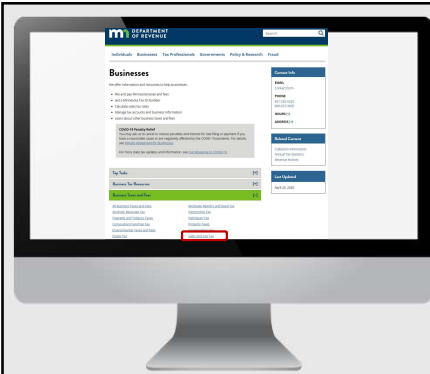
Local taxes are added to the state general sales tax rate to compute the total tax rate.

- City tax
- County tax
- Special local taxes
- Motor vehicle \$20 excise tax

23

23

Sales and Use Tax Information



24

24

Tools to Find Tax Rates

We offer a variety of tools including:

- Sales Tax Rate Calculator
- Sales Tax Rate Map
- Sales Tax API (Application Program Interface)
- Sales Tax Rate Spreadsheet
- Local Sales Tax Rate Guide
- Twin Cities Area Local Tax Rate Guide

25

25

Exempt Transactions

There are three ways for a sale to be exempt from sales and use tax:

Product-based exemption

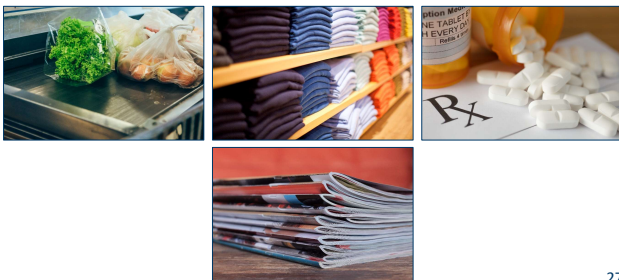
Entity-based exemption

Use-based exemption

26

26

Product-Based Exemptions



27

27

Entity-Based Exemptions

- Federal government agencies
- Tribal governments
- Minnesota government agencies
- Local governments (exceptions apply)
- Nonprofit organizations

28

28

Use-Based Exemptions

- Advertising materials shipped out of state
- Inventory purchased for resale
- Items consumed in performing a taxable service
- Items used or consumed in agricultural production
- Materials used or consumed in the manufacturing process

29

29

Authorization Letters and Permits

- Direct Pay
- Direct Selling
- Exempt Status (nonprofit exemption)
- Motor Carrier Direct Pay
- Resource Recovery Facility

30

30

Authorized Exemption Certificates

- Certificate of Exemption, Form ST3
- Certificate of Exemption, Form F0003
- Uniform Sales and Use Tax Certificate
- Other state's exemption certificates
- Self-prepared exemption certificate

31

31

Exemption Certificate Requirements

The screenshot shows a completed Minnesota Exemption Certificate (Form ST3) for 'Dennis Farms, LLC'. Red boxes highlight the following sections:

- Purchaser's name and address:** Dennis Farms, LLC, 88750 Tractor Trail, Farmington, MN 55024.
- Minnesota tax ID number:** 2234667.
- Reason for exemption:** Agricultural products.
- Purchaser's signature:** Alan Smith, dated 07/23/2021.

- Purchaser's name and address
- Purchaser's Minnesota tax ID number
- Purchaser's type of business
- Reason for exemption
- Purchaser's signature (if a paper certificate is used)

32

32

Other Fields on the Exemption Certificate

The screenshot shows the top portion of the Minnesota Department of Revenue Form ST3. Red boxes highlight the following sections:

- One-time exemption on a purchase:** A checkbox labeled 'I am purchasing this equipment for a one-time exemption on a purchase' is checked.
- Purchasing agent buying materials for an exempt job:** A checkbox labeled 'I am purchasing this equipment for a one-time exemption on a purchase' is checked.
- Seller's name and address:** Dennis Farms, LLC, 88750 Tractor Trail, Farmington, MN 55024.

- One-time exemption on a purchase
- Purchasing agent buying materials for an exempt job
- Seller's name and address

33

33

Purchaser's Responsibilities

- Know if you qualify to claim an exemption
- Complete an exemption certificate
- Give it to the seller at the time of purchase
- Pay any use tax, penalty, and/or interest if used incorrectly

34

34

Seller's Responsibilities

- Review all exemption certificates
- Keep exemption certificates as part of your business records
- Do not unlawfully solicit exemption certificates

35

35



Sales

36

36

Examples of Taxable Sales

- Animals sold as farm-working stock, including mules, oxen, and herd dogs
- Animals sold as pets or to breed pets
- Hay bales to a contractor for erosion control
- Manure for purchasers to use on their lawns or gardens (flower, vegetable)
- Plants and seeds sold to purchasers for home vegetable gardens, lawns, or flower beds
- Plants, trees, and sod sold to person installing into real property

37

37

Examples of Nontaxable Sales

- Feed for agriculture animals, including pets raised for sale, farm-working stock, and breeding stock
- Grain sold as feed to other agriculture producers
- Produce such as eggs, honey, fruits, and vegetables

38

38

Overview of Equipment Sales

Type of Equipment	Qualify for Exemption?
Qualifying "Farm Machinery"	Yes
Fencing	No
Grain Bins	No
Hand Tools	No
Snow blowers	No

39

39

Farm Auctions

Farm auctions are exempt from tax.

- Public auction
- Conducted by a licensed auctioneer
- Consist substantially of property used in the business of farming

40

40

Rentals and Leases of Farm Machinery

If you rent or lease **farm machinery** to use in agricultural production

- Payments are not taxable
- Provide lessor with a completed exemption certificate

41

41

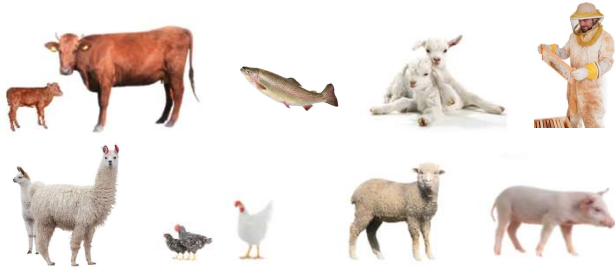


Animals

42

42

Agricultural Animals



43

43

Taxable Animals

- Breeding animals (unless the offspring will be exempt)
- Farm dogs used for security purposes
- Farm working stock (mules, oxen, herd dogs)
- Pets
- Show animals

44

44

Nontaxable Animals

- Agricultural animals
- Cervidae *
- Ratitae *
- Fur-bearing animals *
- Breeding stock *
- Horses
- Research animals

45

45

Cervidae



46

46

Ratitae



47

47

Fur-Bearing Animals



48

48

Breeding Stock



49

49

Horses



50

50

Claiming the Horse Materials Exemption

Reason for Exemption (See Instructions)

- | | |
|---|--|
| <input type="checkbox"/> A Federal government (department) _____ | <input type="checkbox"/> J Agricultural production |
| <input type="checkbox"/> B Specific government exemption | <input type="checkbox"/> K Industrial production/manufacturing |
| <input type="checkbox"/> C Tribal government (name) _____ | <input type="checkbox"/> L Direct pay authorization |
| <input type="checkbox"/> D Foreign diplomat # _____ | <input type="checkbox"/> M Multiple points of use (services, digital goods, or computer software delivered electronically) |
| <input type="checkbox"/> E Charitable organization # _____ | <input checked="" type="checkbox"/> N Direct mail |
| <input type="checkbox"/> F Educational organization # _____ | <input checked="" type="checkbox"/> O Other (enter number from instruction) #13- Horse Materials |
| <input type="checkbox"/> G Religious organization # _____ | <input type="checkbox"/> P Percentage exemption |
| <input type="checkbox"/> H Resale | <input type="checkbox"/> Advertising (enter percentage) _____ % |
| <input type="checkbox"/> I Qualifying capital equipment (see instructions when equipment claimed is part of a construction project) | <input type="checkbox"/> Utilities (enter percentage) _____ % |
| | <input type="checkbox"/> Electricity (enter percentage) _____ % |

I declare that the information on this certificate is correct and complete to the best of my knowledge and belief. (PENALTY: If you try to evade paying sales tax by using an exemption certificate for items or services that will be used for purposes other than those being claimed, you may be fined \$100 under Minnesota law for each transaction for which the certificate is used.)

Signature of Authorized Purchaser Alex Smith Print Name Here Alex Smith Title Owner Date July 22, 2021

Rev. 7/19

51

51

Artificial Insemination – Nontaxable Items

Nontaxable items and services include:

- Artificial insemination services
- Items used and consumed in performing artificial insemination
 - Disposable inseminating gloves
 - Disposable catheters
 - Liquid nitrogen used to process agricultural semen
 - Semen

52

52

Artificial Insemination – Taxable Items

Taxable items include:

- Administrative and recordkeeping supplies
 - Charts
 - Office records
- Reusable items used in performing artificial insemination
 - Catheters
 - Insemination gloves

53

53

Feed, Feed Additives, and Feed Supplements

What type of animal is the feed for?	Is it taxable?
Agricultural animals raised for retail sale	No
Agricultural animals raised for your own consumption	Yes
Breeding stock	No
Farm working stock	No
Pets raised for sale	No
Pets, not for sale	Yes
Poultry raised for retail	No
Poultry raised for your own consumption	No

54

54

Claiming the Poultry Feed Exemption

Reason for Exemption (See Instructions)

<input type="checkbox"/> A Federal government (department) _____	<input type="checkbox"/> J Agricultural production
<input type="checkbox"/> B Specific government exemption	<input type="checkbox"/> K Industrial production/manufacturing
<input type="checkbox"/> C Tribal government (name) _____	<input type="checkbox"/> L Direct pay authorization
<input type="checkbox"/> D Foreign diplomat # _____	<input type="checkbox"/> M Multiple points of use (services, digital goods, or computer software delivered electronically)
<input type="checkbox"/> E Charitable organization # _____	<input checked="" type="checkbox"/> N Direct mail #24- Poultry feed
<input type="checkbox"/> F Educational organization # _____	<input type="checkbox"/> P Percentage exemption
<input type="checkbox"/> G Religious organization # _____	<input type="checkbox"/> Advertising (enter percentage) _____ %
<input type="checkbox"/> H Resale	<input type="checkbox"/> Utilities (enter percentage) _____ %
<input type="checkbox"/> I Qualifying capital equipment (see instructions when equipment claimed is part of a construction project)	<input type="checkbox"/> Electricity (enter percentage) _____ %

I declare that the information on this certificate is correct and complete to the best of my knowledge and belief. (PENALTY: If you try to evade paying sales tax by using an exemption certificate for items or services that will be used for purposes other than those being claimed, you may be fined \$100 under Minnesota law for each transaction for which the certificate is used.)

Signature of Authorized Purchaser <i>Alex Smith</i>	Print Name Here Alex Smith	Title Owner	Date July 22, 2021
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Rev. 7/19 55

55

Miscellaneous Items

Miscellaneous items may be purchased exempt from tax **IF** they are used in qualifying agricultural production activities. Examples include:

- Bedding
- Hay



56

56

Veterinary Medicine and Services

Nontaxable items and services include:

- Veterinary services for agricultural and other tax-exempt animals
- Drugs and medicines for agricultural and other tax-exempt animals
 - Calf boluses
 - Dehorning paste
 - Foot rot spray
 - Mastitis tubes
 - Terramycin powder



57

57

Nontaxable Consumable Materials and Supplies

Nontaxable consumable materials and supplies for agricultural animals include:

- Animal markers
- Antiseptics
- Horseshoes
- Insecticides
- Udder cream



58

58



Materials Consumed in Agricultural Production

59

59

Nontaxable Chemicals

You may buy chemicals exempt if they are used to:

- Fertilize agricultural crops
- Control weeds, disease, and insect infestation in agricultural crops
- Control or eradicate animal diseases for the health of nontaxable animals
- Disinfect nontaxable animals or their environment
- Sanitize or clean food processing machinery or equipment

60

60

Taxable Chemicals

You must pay tax on chemicals if they are used to:

- Clean animal dwellings
- Control odor
- Control weeds and disease for home garden and lawn
- Control insect infestation for home garden and lawn
- Fertilize home garden and lawn

61

61

Nontaxable Utilities Used in Production

Fuel, electricity, gas, and steam are nontaxable to:

- Heat and cool housing for agricultural animals
- Light housing for agricultural animals
- Ventilate facilities where agricultural animals are housed
- Dry grains

62

62

Claiming the Utilities Exemption

Reason for Exemption (See Instructions)

- | | |
|---|--|
| <input type="checkbox"/> A Federal government (department) _____ | <input type="checkbox"/> J Agricultural production |
| <input type="checkbox"/> B Specific government exemption | <input type="checkbox"/> K Industrial production/manufacturing |
| <input type="checkbox"/> C Tribal government (name) _____ | <input type="checkbox"/> L Direct pay authorization |
| <input type="checkbox"/> D Foreign diplomat # _____ | <input type="checkbox"/> M Multiple points of use (services, digital goods, or computer software delivered electronically) |
| <input type="checkbox"/> E Charitable organization # _____ | <input type="checkbox"/> N Direct mail |
| <input type="checkbox"/> F Educational organization # _____ | <input type="checkbox"/> O Other (enter number from instructions) |
| <input type="checkbox"/> G Religious organization # _____ | <input checked="" type="checkbox"/> P Percentage exemption |
| <input type="checkbox"/> H Resale | <input type="checkbox"/> Advertising (enter percentage) _____% |
| <input type="checkbox"/> I Qualifying capital equipment (see instructions when equipment claimed is part of a construction project) | <input type="checkbox"/> Utilities (enter percentage) _____% |
| | <input checked="" type="checkbox"/> Electricity (enter percentage) <u>97%</u> _____% |

I declare that the information on this certificate is correct and complete to the best of my knowledge and belief. (PENALTY: If you try to evade paying sales tax by using an exemption certificate for items or services that will be used for purposes other than those being claimed, you may be fined \$100 under Minnesota law for each transaction for which the certificate is used.)

Signature of Authorized Purchaser Alex Smith Print Name Here Alex Smith Title Owner Date July 31, 2021

Rev. 7/19

63

63

Taxable Utilities

Electricity, fuels, and gas are taxable if used for:

- Aerating grain to prevent spoilage, control insects, or to reduce dust and sweating
- General space heating and lighting for farm buildings that do not house agricultural animals
- Illuminating a yard light

64

64

Petroleum Products

Fuels, lubricants, and antifreeze are not taxable if used to:

- Produce agricultural products
- Dry grain
- Construct, maintain, or repair
 - Drainage ditches
 - Erosion control structures
 - Grass waterways
 - Tile drainage systems

65

65

Packaging Materials

- Nonreturnable packaging materials are not taxable.
- Returnable containers used to package food products are not taxable.
- Returnable containers used to package non-food items are taxable.

66

66

Nontaxable Plants and Seeds

Plants and seeds used in agricultural production are not taxable.

- Plants to grow items sold at a farmer's market
- Seed to grow cash crops
- Seed to grow feed for agricultural animals
- Annuals and perennials grown in greenhouses
- Shrubs grown in nurseries
- Trees purchased as part of a federal conservation program

67

67

Taxable Plants and Seeds

Plants and seed used for personal use are taxable.

- Flower beds
- Lawns
- Vegetable gardens

68

68

Federal and State Programs

• If purchased as part of a farm or conservation program, these items are not taxable:

- Feed
- Seeds
- Trees
- Fertilizers
- Herbicides

• Equipment used in these programs do **not** qualify for the Farm Machinery Exemption

69

69

Waste Treatment

When treating waste generated as a result of the agricultural production process, there is an exemption for:

- Chemicals
- Materials
- Supplies

70

70

Break Time

71

71



Machinery and Equipment

72

72

Farm Machinery Exemption

To qualify for the Farm Machinery Exemption, the item must be:

- New or used machinery, equipment, implements, accessories, or contrivances;
- Used directly in agricultural production; **and**
- Used 50% or more of its operating time in agricultural production of tangible personal property intended to be sold ultimately at retail

73

73

What does farm machinery include?

Farm machinery includes:

- Machinery for the preparation, seeding, or cultivation of soil for growing agricultural crops
- Barn cleaners, milking systems, grain dryers, feeding systems, and similar installations
- Irrigation equipment sold exclusively for agricultural use

74

74

Repair and Replacement Parts

Repair and replacement parts for farm machinery are exempt from tax, including:

- Genuine manufacturer's parts (OEM parts)
- Generic or aftermarket parts

Exception: Replacement tires for qualifying farm machinery are taxable.

75

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Claiming The Farm Machinery Exemption

Reason for Exemption (See Instructions)

<input type="checkbox"/> A Federal government (department) _____	<input type="checkbox"/> J Agricultural production
<input type="checkbox"/> B Specific government exemption	<input type="checkbox"/> K Industrial production/manufacturing
<input type="checkbox"/> C Tribal government (name) _____	<input type="checkbox"/> L Direct pay authorization
<input type="checkbox"/> D Foreign diplomat # _____	<input type="checkbox"/> M Multiple points of use (services, digital goods, or computer software delivered electronically)
<input type="checkbox"/> E Charitable organization # _____	<input checked="" type="checkbox"/> N - Direct sales #9 - Farm Machinery
<input type="checkbox"/> F Educational organization # _____	<input type="checkbox"/> P Percentage exemption _____%
<input type="checkbox"/> G Religious organization # _____	<input type="checkbox"/> Advertising (enter percentage) _____%
<input type="checkbox"/> H Resale	<input type="checkbox"/> Utilities (enter percentage) _____%
<input type="checkbox"/> I Qualifying capital equipment (see instructions when equipment claimed is part of a construction project)	<input type="checkbox"/> Electricity (enter percentage) _____%

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Signature of Authorized Purchaser <i>Alex Smith</i>	Print Name Here Alex Smith	Title Owner	Date July 22, 2021
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Rev. 7/19 76

76

Accessory Tools and Equipment

To be exempt, accessory tools and equipment must:

- Be separate detachable units,
- Produce a direct effect on the agricultural product, **and**
- Have a useful life of less than 12 months

77

77

Generators

Generators are exempt if they are used to generate electricity to:

- Operate farm machinery
- Provide light that is essential to agricultural production
- Provide space heating that is essential to agricultural production

78

78

Manure Handling Systems – Exempt Components

Exempt components of a manure handling system include:

- Agitators
- Hoses
- Pumps
- Spreaders
- Valves

79

79

Manure Handling Systems – Building Structure

Taxable components of a manure handling system include:

- Concrete pits
- Slotted flooring
- Other items that are part of a livestock building structure

80

80

Exempt Grain Dryer Systems

Grain drying equipment used in agricultural production is exempt, including:

- Dryers
- Drying system components
- Similar types of equipment

81

81

Taxable Grain Systems Components

Taxable grain system components include:

- Grain bins
- Grain hoppers
- Grain legs
- Ladders connecting component parts
- Equipment used for storage of grain
- Silos

82

82

Aircraft



83

83

Custom Farm Work

- Custom farm work performed for others is a nontaxable service. Examples include:
 - Custom combining
 - Harvesting
 - Planting
 - Spraying
- Machinery and equipment used to perform these nontaxable services qualify for the Farm Machinery Exemption.
- Installing drain tile is an improvement to real property

84

84

Aquaculture Production Equipment and Parts

Equipment used in aquaculture production qualifies for the Farm Machinery Exemption.



85

85



Exempt Farm Machinery

86

86

Animal Equipment

Examples of exempt items include:

- Automatic feeding systems
- Calf hutches
- Power feed wagons
- Squeeze gates
- Waterers

87

87

Aquaculture Production Equipment

Examples of exempt items include:

- Air compressors
- Fertilizer spreaders
- Holding tanks
- Portable scales
- Pound nets

88

88

Crop Handling

Examples of exempt items include:

- Augers and auger cleaners
- Grain bin cleaners
- Grain dryers
- Grain moisture testers
- Stack movers

89

89

Dairy Equipment

Examples of exempt items include:

- Bulk tank washer attachments
- Milking machines
- Milk coolers
- Milk meters
- Milking systems

90

90

Field Equipment – Planting, Cultivating, Harvesting

Examples of exempt items include:

- Balers
- GPS systems
- Planters
- Silage cutters, feeders, loaders, unloaders
- Tractors



91

91

Manure Handling

Examples of exempt items include:

- Barn cleaners
- Gutter cleaners
- Liquid manure spreaders
- Manure pumps
- Manure spreader

92

92

Miscellaneous

Examples of exempt items include:

- Bee keeping equipment
- Loaders
- Portable generators
- Portable scales used directly in agricultural production
- Tractor tracks

93

93

Nursery and Greenhouse

Examples of exempt items include:

- Capillary water mats
- Cultivators
- Flat and pot fillers
- Soil mixers
- Water wands

94

94

Poultry Equipment

Examples of exempt items include:

- Automatic egg graders
- Blood spot detectors
- Egg orientators
- Egg packers

95

95



Livestock Confinement Systems

96

96

Livestock Confinement Buildings

- The basic structure is treated as real property.
 - Foundation
 - Walls
 - Roof
 - Electrical wiring that serves the general building
- Materials to build the basic structure are taxable.
- Payments for leasing the building are not taxable.

97

97

Exempt Livestock Confinement Equipment

Exempt items include:

- Certain livestock handling equipment
- Components for feeding and watering systems
- Ventilation systems that directly affect the health or productivity of the livestock
- Purchases of materials to build qualifying equipment

98

98

Taxable Livestock Confinement Equipment

- Taxable items are generally tangible personal property.
 - Free stall partitions
 - Gates
 - Interior pens
 - Poultry cages
 - Stalls
 - Slotted flooring
- Sales, leases, or rentals of these items are taxable.

99

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Leases of Livestock Confinement Systems

- A lease must separate the components of the system into the three categories and properly apply sales tax.
 - Building
 - Exempt equipment
 - Taxable equipment
- If the charges are not separately stated, sales tax applies to the entire lease charge.

100

100

Livestock Confinement Fencing

- Most fencing materials are taxable.
- An exemption applies to 8-foot fencing for farmed cervidae.

101

101



Installation Into Real Property

102

102

Farm Machinery Installed Into Real Property

- Farm Machinery installed into real property qualifies for an exemption.
 - Feeding systems
 - Grain dryers
 - Irrigation equipment
- Repair and replacement parts for exempt equipment qualify for an exemption.
- Provide supplier with a completed exemption certificate.

103

103



Agricultural Services

104

104

Taxable Services Used in Agricultural Production

- Services used in agricultural production may be purchased exempt by the farmer.
 - Disinfecting services used to control disease for the health of agricultural animals
 - Electronic surveillance to ensure that turkeys are in good condition
 - Exterminating services used to control pests for the health and protection of agricultural animals
 - Spraying services for an apple orchard
- Provide supplier with a completed exemption certificate.

105

105

Purchases by Agricultural Services Businesses

Consumable materials used in providing these services can be purchased exempt:

- Disinfecting chemicals used to control disease for the health of agricultural animals
- Tapes for electronic surveillance to ensure turkeys are in good condition
- Exterminating chemicals used to control pests for the health and protection of agricultural animals
- Fertilizers, pesticides, insecticides, and weed killers used in spraying an apple orchard

106

106



Taxable Purchases

107

107

General Items

- Computer hardware and software
- Furniture and fixtures
- Office equipment and supplies
- Tree seedlings for windbreaks

108

108

Machinery and Equipment

- Lawnmowers (unless used to produce sod)
- Snow blowers
- Snowmobiles
- Tires
- Tools and shop equipment



109

109

Taxable Services

- Building cleaning and maintenance
- Detective and security services
- Lawn and garden care

110

110

Miscellaneous Taxable Items

- All-terrain vehicles (ATVs)
- Drain tile
- Motor vehicles
- Component parts for grain hopper tanks and bins that will be installed into real property



111

111



Taxable Items Used in Agricultural Production

112

112

Building Materials and Supplies Used in Construction of Farm Buildings

Examples of taxable items include:

- Barns and pole barns
- Farrowing houses
- Machine Sheds
- Milk houses
- Silos

113

113

Communications Equipment

Examples of taxable items include:

- Cell phones
- Radio equipment
- Telephone equipment

114

114

Equipment Not Used Directly and Principally in Production

Examples of taxable items include:

- Backhoes
- Bird cannons
- Electric pest controllers
- Loading chutes
- Portable brooder houses
- Service tank pumps
- Storage tanks
- Water well heaters

115

115

Fencing Materials

Examples of taxable items include:

- Chicken cages
- Corral panels
- Fence posts
- Fencing materials
- Gate closers
- Pens
- Portable corrals
- Portable pens and stalls

116

116

Miscellaneous Equipment

Examples of taxable items include:

- Conveyors, carts, and trailers used in retail areas
- Drain tile
- Garden tillers and tractors
- Portable grain bins
- Tarps (canvas, plastic, etc.)
- Watering cans

117

117

Safety Equipment

Examples of taxable items include:

- Gas masks
- Goggles
- Respirators

118

118

Shop Equipment

Examples of taxable items include:

- Fuel storage tanks
- Hoists
- Welding equipment

119

119

Tools

Examples of taxable items include:

- Dehorner
- Hand tools
- Hive tools
- Pitch forks
- Shovels and spades

120

120



Capital Equipment and Industrial Production Exemptions

121

121

Minnesota Use Tax Worksheet

Company Name: _____

Use tax accrued about for the period of _____ through _____

Date	Invoice Number	Vendor	Taxable Amount
Period total:			

List the period total as "use tax purchases" when you file your Minnesota Sales and Use Tax return. Keep this worksheet in your files. If you owe local use tax or variable rate use tax, change the above worksheet to meet your needs and report the totals when you file your Sales and Use Tax return.

Use Tax

122

122

What is Use Tax?

- Applies to taxable purchases when sales tax was not charged
- Complement to sales tax
- Self-assessed
- Paid directly to the state

123

123

Recording Use Tax

- Always self assess the tax and remit it directly to the Department of Revenue.
- Never add use tax to a vendor payment.
- Record the amount of use tax accrued.

124

124

Use Tax Basis

Use tax is based on your purchase price of taxable items or services. This is true whether you buy items:

- for your own business use without paying sales tax,
- take them out of inventory and use them in a taxable manner, or
- donate them to a charitable organization.

125

125

Accruing Use Tax

Businesses owe use tax on items used in their business when sales tax was not charged, including:

- Administrative items
- Business equipment and supplies
- Taxable services
- Promotional items
- Utilities

126

126

Variable Rate Credit

What is a variable rate credit?

- Minnesota allows a credit for the amount of sales tax paid to another state
- Must be legally due to the other state to receive credit

127

127

Calculating Variable Rate

1. Calculate the applicable amount of tax due (variable rate X sales price).

2. Enter the amount as variable rate use tax on your sales and use tax return.

Minnesota sales tax rate	6.875%
Wisconsin state and local sales tax	<u>(5.500%)</u>
Variable rate tax due to Minnesota	1.375%

128

128

Recording Use Tax

- Record this information for each transaction:
 - Date of purchase
 - Invoice number
 - Vendor's name
 - Description of item
 - Taxable amount
 - Amount of state and local use taxes paid
- Keep a copy of the backup documentation.

129

129



Recordkeeping Basics

130

130

Recordkeeping

Your records should include:

- Bills, receipts, invoices, cash-register tapes, and any other documents that support the entries in your books
- Exemption certificates
- Shipping documents
- Worksheets used to prepare your tax returns

131

131



Filing and Payment Information

132

132

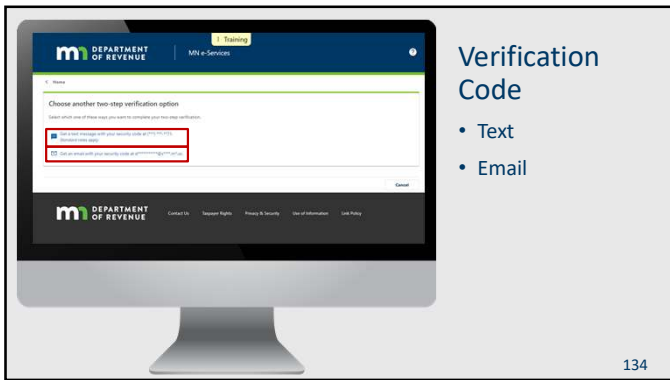


MN e-Services Filing and Payment Instructions

- Log In
- Registration

133

133

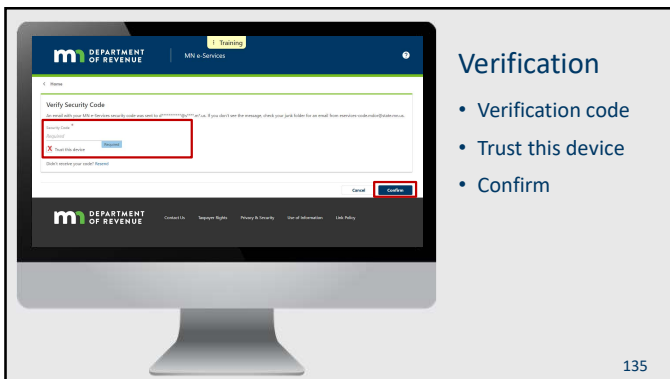


Verification Code

- Text
- Email

134

134

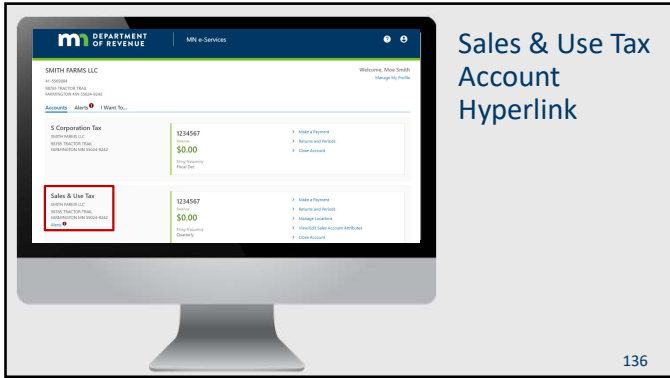


Verification

- Verification code
- Trust this device
- Confirm

135

135



Sales & Use Tax Account Hyperlink

136

136

Amending Returns

Common reasons to amend a return:

- Reported too much or not enough tax on your return
- Reported the tax on the wrong tax line
- Charged tax incorrectly to a customer and refunded the tax to the customer
- Received a completed exemption certificate from a customer for tax you paid and now refunded back to the customer

137

137

Filing Due Dates

Filing Frequency	Average Tax Liability	Due Date
Annual	Less than \$100 per month (less than \$1,200 per year)	February 5 of the following year
Quarterly	Less than \$500 per month (less than \$6,000 per year)	20th day of the month following the end of the quarter
Monthly	More than \$500 per month (more than \$6,000 per year)	20th day of the following month

138

138

Late Filing and Late Payment Penalties

Days Late	Late Filing Penalty	Late Payment Penalty
1-30 days	5 percent	5 percent
31-60 days	5 percent	10 percent
60+ days	5 percent	15 percent

139

139



Resources to Answer Your Questions

140

140

Are you looking for additional resources?



Visit our website at revenue.state.mn.us

141

141

Sales and Use Tax Contact Information

- Sales taxability questions
Email: salesuse.tech@state.mn.us
- Sales and Use Tax account questions
Email: salesuse.tax@state.mn.us
- Telephone assistance
Phone: 651-296-6181 or 1-800-657-3777 (toll free)



142

Other Division Contact Information

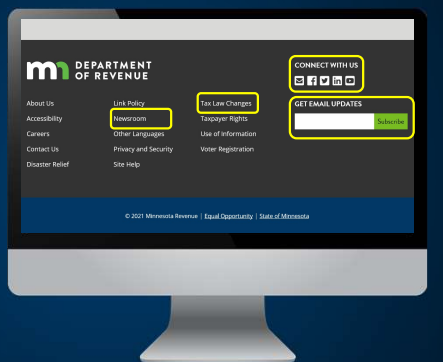
- Business Income Taxes
 - 651-556-3075
 - Email: businessincome.tax@state.mn.us
- Withholding Tax
 - 651-282-9999 or 1-800-657-3594
 - Email: withholding.tax@state.mn.us
- Business Registration
 - 651-282-5225 or 1-800-657-3605
 - Email: Business.Registration@state.mn.us



143

Stay Informed

- Newsroom
- Tax Law Changes
- Social Networks
- Email Updates



144

Email Updates with GovDelivery



- Choose the updates you want, by tax and publication type
- Choose notification frequency
- Sign in directly or use the Facebook or Google links



145

145

Minnesota Revenue Social Media Accounts

Keep up with the latest news from the Minnesota Department of Revenue on:



twitter.com/MNRevenue



facebook.com/MNRevenue



linkedin.com/company/MNRevenue

146

146

Sales and Use Tax Education Classes

- e-Services for Sales and Use Tax
- Introduction to Sales and Use Tax
- Sales and Use Tax for Contractors
- Sales and Use Tax for Manufacturers
- Sales and Use Tax for Retailers
- Sales and Use Tax for Taxable Service Providers

147

147

Business Information Updates

- Mailing address
- Business location
- Legal organization
- NAICS code
- Contact information
- Owners and/or officers

148

148



Course Review

149

149

Course Review

During this class, we discussed how to ...

- Apply the basic sales and use tax concepts for Minnesota and its local taxing jurisdictions to your business
- Identify how to use and when to accept an exemption certificate
- Distinguish how Minnesota Sales and Use Tax law applies to the agricultural and farming industry.
- Use e-Services to file a sales and use tax return
- Find several resources that answer your sales and use tax questions

150

150



Questions?

151



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Minnesota Business Tax Education

Thank you!

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152
