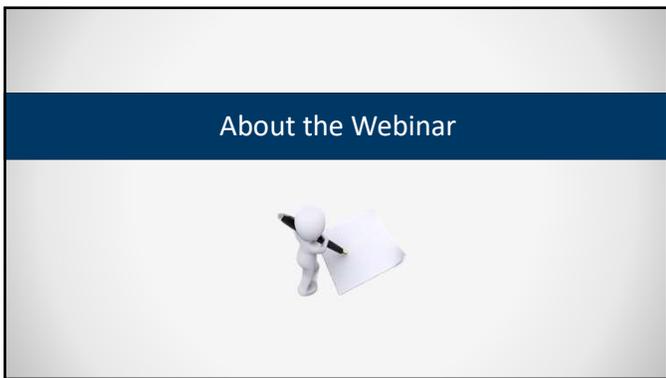
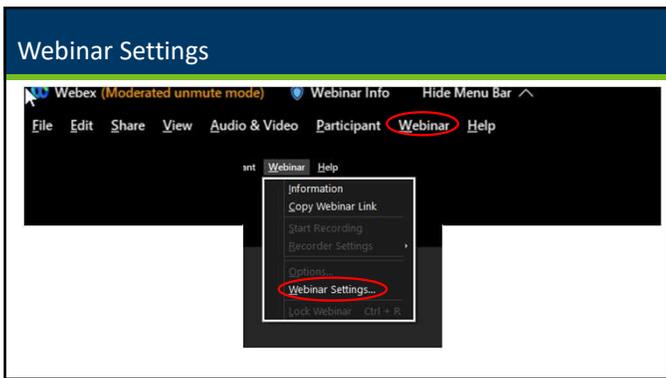




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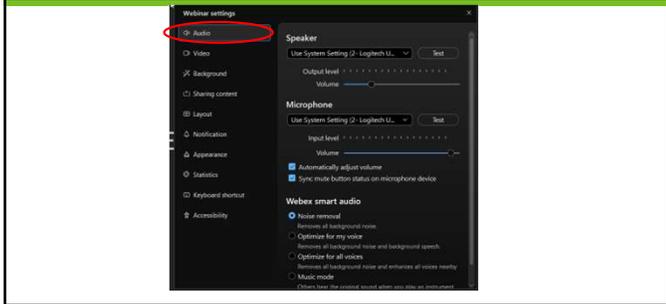


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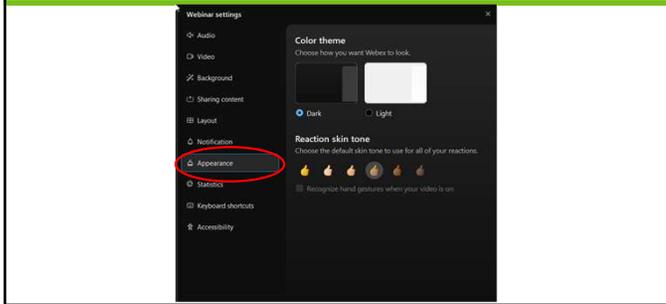
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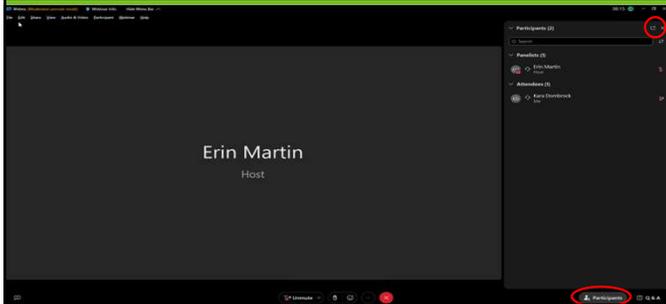
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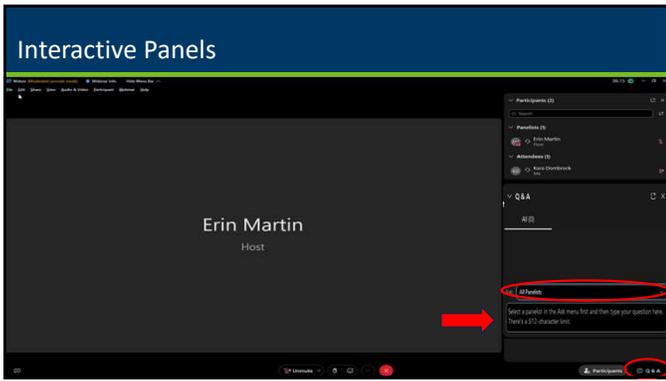


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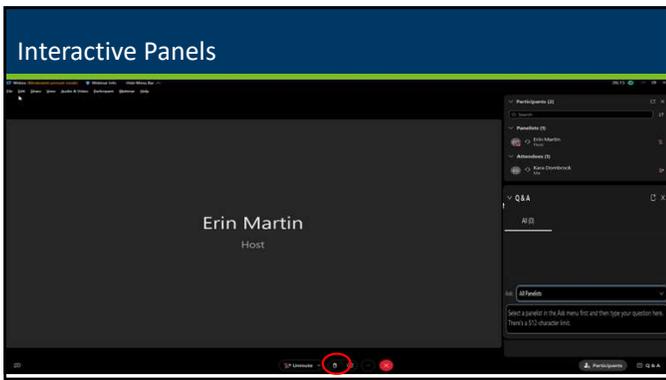
Interactive Panels



6



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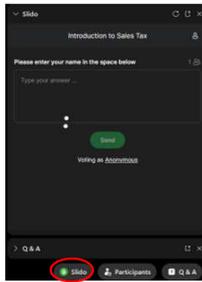


8



9

Interactive Panels



10

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.

11

Course Objectives

After completing this course, you will be able to:

- Identify who qualifies for the local government exemption
- List what products and services sold by a local government are subject to sales tax
- Identify what a local government can purchase exempt from sales tax
- Recognize when a purchasing agent agreement is appropriate
- Employ good recordkeeping practices to ensure you report and pay the correct amount of sales and use tax
- List several resources that answer sales and use tax questions

12



Exempt Local Governments

Part 1

13

Local Governments

- Cities
- Counties
- Townships
- Other local government entities



14

Who is exempt?

Exempt local governments include:

- Statutory or home rule charter cities, counties, townships, and instrumentality thereof as defined in M.S. 471.59
- Special districts and political subdivisions as defined under section M.S. 6.465
- Joint powers board or organization as defined in M.S. 471.59
- Units of local government provided in Minnesota Statutes 297A.70

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Sales of Goods and Services

Part 2

16

Types of Transactions

For sales and use tax purposes, a sale includes these types of transactions:

- Retail sale
- Lease
- Rental
- Providing a service
- Sale from wholesaler to retailer
- Bartering

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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

18

Taxable Services

- Admissions and memberships to athletic facilities, recreational areas, or places of amusement
- Admissions to city or county parks
- Admissions to community centers with athletic or recreational facilities
- Campground fees
- Golf membership and green fees



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Taxable Services (continued)

- Alarm monitoring services
- Lawn mowing, tree trimming, stump removal, and spraying services
- Parking charges, except residential or meters
- Towing charges, including administrative fees
- Telecommunications services, including fees to fax a document

20

Sample Invoice #1

Olmsted County Public Works 2122 Campus Drive Se, Ste. 200 Rochester, MN 55904-4725		Invoice #1023	
Date: 12/1/2022			
Bill To: Jose Gonzalez 38 S Front St. SW Eyota, MN 55934-6505	Ship To: Chester Woods Park 8378 Highway 14 East Eyota, MN 55934-2818		
Description	Amount	Tax	
Pavilion Rental	\$ 150.00	T	
Gazebo Rental	100.00	T	
Subtotal	250.00		
Delivery	N/A		
Sales Tax (6.875% MN and 0.5% Olmsted County)	18.44		
TOTAL: \$ 268.44			

- This example shows an invoice for property rental within the county park for a wedding.
- The sale is sourced to the property location of the county park.
- Since the facilities are within a recreational area, the rental is taxable.

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Sample Invoice #2

My County SWCD 123 Main Street Anytown, MN 56789		Invoice #3456	
Date:	10/1/2022	Ship To:	Sue Olson
Bill To:	Sue Olson 807 11th Street North Moorhead, MN 56560-2069	Ship To:	Sue Olson 807 11th Street North Moorhead, MN 56560-2069
Description	Amount	Tax	
Fall tree spraying	\$ 100.00	T	
Subtotal	100.00		
Delivery		N/A	
Sales Tax (6.875% MN and 0.5% Clay County)	7.38		
TOTAL: \$ 107.38			

- This example shows an invoice for spraying trees at the customer's site.
- The sale is sourced to the address where the spraying took place.
- The SWCD needs to charge the customer all applicable state and local taxes.

22

Free-Will Offerings



- Free-will offerings are not considered sales if you do not track the individual transactions or require people to pay the suggested amount.
- No sales or use tax is due on the money received as a donation.

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Definition of Tangible Personal Property (TPP)

- **Tangible** - something that can be seen, weighed, measured, felt, touched, or is perceptible to the senses
- **Personal** - any item not incorporated into the land or realty
- **Property** - something that is owned or leased

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Retailers

- You are considered a retailer, for example, when you sell plat books and rent canoes.
- You must collect sales tax on goods you sell, unless specifically exempted by law, or you receive an exemption certificate from the purchaser.
- You may buy items purchased for resale exempt from tax.



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Examples of Taxable TPP

- Books and informational brochures
- Copies (unless required to be furnished by law)
- Equipment rentals
- Maps
- Vending machine sales of taxable items



26

Utilities



27

Sample Invoice #3

Detroit Lakes Public Library 1000 Washington Ave. Detroit Lakes, MN 56501		Invoice #1122	
Date: 8/16/2023	Bill To: John Smith 913 Lake Ave Detroit Lakes, MN 56501	Ship To: Same	
Description	Amount		Tax
Meeting room rental	\$ 150.00		N
Projector rental	50.00		T
Tables (50)	50.00		T
Chairs (100)	100.00		T
Subtotal	350.00		
Delivery			N/A
Sales Tax (6.875% MN and 0.5% Becker County)	14.75		
TOTAL: \$ 364.75			

- This example shows an invoice for rental of a meeting room and equipment at a public library.
- The sale is sourced to the address where the equipment was used.
- The library can purchase the equipment exempt from tax using the local government's exemption.

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Sample Invoice #4

Kanabec County SWCD 2008 Mahogany St. #3 Mora, MN 55051-7163		Invoice #1234	
Date: 05/01/2022	Bill To: Jane Doe 2008 Mahogany St. #3 Mora, MN 55051-7163	Ship To: Picked up	
Description	Amount		Tax
Rain Barrel	\$ 50.00		T
Subtotal	50.00		
Delivery			N/A
Sales Tax (6.875% MN & 0.50% Kanabec County Transit)	3.69		
TOTAL: \$ 53.69			

- This example shows an invoice for a rain barrel picked up at the SWCD.
- The sale is sourced to the SWCD.
- The SWCD needs to charge the customer all applicable state and local taxes.

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Sample Invoice #5

Steele County SWCD 235 Cedardale Dr SE Owatonna, MN 55060-4425		Invoice #2345	
Date: 05/01/2022	Bill To: Mary Adams 9420 64th Ave SE Blooming Prairie, MN 55917-5863	Ship To: Mary Adams 9420 64th Ave SE Blooming Prairie, MN 55917-5863	
Description	Amount		Tax
Trees (25 @ 1.75)	\$ 43.00		T
Subtotal	43.00		
Delivery	20.00		T
Sales Tax (6.875% MN & 0.50% Steele County Transit)	4.65		
TOTAL: \$ 67.65			

- This example shows an invoice for trees shipped to the customer.
- The sale is sourced to the address where the trees were delivered.
- The SWCD needs to charge the customer all applicable state and local taxes.

30

Sample Invoice #9

Princeton Public Utilities 705 N 2nd St. Princeton, MN 55371		Invoice #789		
Date: 12/01/2022	Ship To: Charging Station #2			
Bill To: C. Electra				
Description	Qty	Price	Total	Tax
EV Charging Station - Connection Fees for November 2022	1.00	5.00	\$ 5.00	T
EV Charging - DC Fast Charger (minutes)	20.00	1.50	\$ 30.00	T
Subtotal			35.00	
Sales Tax (6.875% MN and Mille Lacs County Transit 0.5%)		included in sales price.		
		TOTAL:	\$ 35.00	

- This example shows an invoice for electricity sold to a customer charging their electric vehicle.
- The sale is sourced to the address where the customer charges their car.
- The city needs to remit all applicable state and local taxes.
- Divide \$35 by 1.07375 to get the taxable sales price of \$32.60 to be included on your return.

34

Resources for Other Taxable Sales

Fact Sheets

- Detective and Security Services
- Lawn and Garden Maintenance, Tree and Shrub Services
- Telecommunications, Pay Television, and Related Services

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Resources for Other Taxable Sales

Industry Guides

- Admissions and Amusement Devices
- Building Cleaning and Maintenance
- Library
- Motor Vehicle
- Parking Service Providers

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Nontaxable Sales

- Copies required to be furnished by law
- Educational lessons
- Notary services
- Permit fees
- Pet licenses
- Primary residential heating during winter months
- Residential water and sewer services
- Security or detective services by an off-duty peace officer within the jurisdiction that officer normally serves

37

Prepared Food Sold by Local Governments

- Meals and drinks when furnished, prepared, or served to:
- Patients at hospitals, sanitariums, nursing homes, or senior homes as part of routine care and included in the facilities charge
 - Anyone on pre-kindergarten through 12th grade school premises
 - Inmates or residents at correctional, detention, or detox facilities

38

County Agricultural Society Sales Exemption

- Sales made by a county agricultural society on the fairgrounds during its regularly scheduled county fair are exempt from sales tax.
- Sales made before or after the county fair are taxable.
- Sales made on property not owned by the county agricultural society are taxable.

39

Exemption Certificate Provided by Customer

Your customer may provide you with an exemption certificate:

- Inventory purchased for resale
- Items consumed in performing a taxable service
- Items used or consumed in industrial production



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Sample Invoice #10

Rochester Public Utilities 4000 East River Road NE Rochester, MN 55906		Invoice #9999	
Date: 10/01/2017			
Bill To: Med City Manufacturing	Ship To: Same		
5500 North Broadway Rochester, MN 55906			
Description	Amount	Tax	
Commercial Electric - Meter #12345	\$ 125.00	T	
Commercial Electric - Meter #98765	1,500.00	E	
Commercial Water	75.00	T	
Subtotal	1,700.00		
Sales Tax (6.875% MN tax, 0.5% Olmsted Co. Transit Tax, 0.75% Rochester Tax)	16.25		
ST3 on file for meter #98765	\$1,716.25		

- This example shows an invoice for utilities sold to a manufacturer.
- The sale is sourced to the where the utilities are delivered.
- The manufacturer must give the utility company a completed exemption certificate.

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Form ST3, Exemption Certificate

Customer Information Med City Manufacturing, Meter #98765 5500 North Broadway Rochester MN 55906 2334567 1234567	
Supplier Information Rochester Public Utilities 4000 East River Road NE Rochester MN 55906	
Type of Business <input type="checkbox"/> Accommodation and food services <input type="checkbox"/> Agriculture, hunting, fishing, trapping <input type="checkbox"/> Distributive <input type="checkbox"/> Finance and insurance <input checked="" type="checkbox"/> Manufacturing <input type="checkbox"/> Mining <input type="checkbox"/> Retail trade <input type="checkbox"/> Service and maintenance <input type="checkbox"/> Wholesale trade	
Reason for Exemption (See instructions) <input type="checkbox"/> Federal government acquisition <input type="checkbox"/> State government acquisition <input type="checkbox"/> Foreign government acquisition <input type="checkbox"/> Charitable organization <input type="checkbox"/> Educational organization <input type="checkbox"/> Religious organization <input type="checkbox"/> Qualifying capital equipment (see instructions when required)	
<input type="checkbox"/> Agricultural production <input type="checkbox"/> Industrial production/manufacturing <input type="checkbox"/> Other (see instructions) <input type="checkbox"/> Wholesale trade <input type="checkbox"/> Retail trade <input type="checkbox"/> Other (see instructions)	
<input type="checkbox"/> Other (see instructions)	

- 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)

42

Seller's Responsibilities for Exemption Certificates

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

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Sample Invoice #11

Kandiyohi County SWCD		Invoice #4567
1005 High Ave Willmar, MN 56201-6849		
Date:	04/25/2022	
Bill To:	John Smith	Ship To: Picked up
	1005 High Ave Willmar MN 56201-6849	
Description	Amount	Tax
Trees (200 @\$1.75)	\$ 350.00	E
Subtotal	350.00	
Delivery		N/A
Sales Tax		N/A
	TOTAL: \$ 350.00	

- This example shows an invoice for trees sold to a farmer for use in a federal or state conservation program.
- The sale is sourced to the address where the trees were picked up.
- The farmer must give the SWCD a completed exemption certificate.

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Sample Invoice #12

Beltrami County		Invoice #6789
701 Minnesota Ave, NW Bemidji, MN 56601-3096		
Date:	05/11/2023	
Bill To:	Bemidji Public Library	Ship To: Same
	509 America Ave, NW Bemidji, MN 56601-3023	
Description	Amount	Tax
Beltrami County Plat Book	\$ 40.00	E
Subtotal	40.00	
Delivery	8.70	N
Sales Tax		N/A
	TOTAL: \$ 48.70	

- This example shows an invoice for plat books sold to a public library.
- The sale is sourced to the address where the plat book was delivered (ship to address).
- The public library must give the county a completed exemption certificate.

45

Contractors

Contractors make improvements to real property.

- You are considered a contractor, for example, when you install a new water meter and repair roads.
- You do not collect sales tax on these contracts.
- You may purchase items exempt using the local government exemption.



46

Improvements to Real Property

Examples of contracts to improve real property include:

- Installing utility meters
- Installing curbs, gutters, and sidewalks
- Planting trees along the boulevard
- Repairing roads

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Sample Invoice #13

South St. Louis County SWCD 215 N 1st Ave E Duluth, MN 55802-2058		Invoice #6543	
Date: 05/08/2022			
Bill To: Mike Hansen 1909 W Superior St Duluth, MN 55806-2140	Ship To: Mike Hansen 1909 W Superior St Duluth, MN 55806-2140		
Description	Amount	Tax	
Trees, planted	\$ 200.00	N	
Subtotal	200.00		
Delivery	N/A		
Sales Tax	N/A		
TOTAL: \$ 200.00			

- This example shows an invoice for trees planted at the customer's site.
- The tree planting is not taxable because it's an improvement to real property.
- The SWCD can purchase the trees exempt from tax using the local governments exemption.

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Sample Invoice #14

City of Watertown 309 Lewis Avenue S. Watertown, MN 55388		Invoice #6543	
Date: 10/20/2022			
Bill To: Lana Waverly 401 Carter St NE Watertown, MN 55388-9283	Ship To: Lana Waverly 401 Carter St NE Watertown, MN 55388-9283		
Description	Amount	Tax	
Water meter, installed	\$ 200.00	N	
Subtotal	200.00		
Delivery	N/A		
Sales Tax	N/A		
TOTAL: \$ 200.00			

- This example shows an invoice for a water meter installed at the customer's site.
- The installation of a water meter is not taxable because it's an improvement to real property.
- The city can purchase the materials used for the job exempt from tax using the local governments exemption.

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Sample Invoice #15

Linwood Township 22817 Typo Creek Drive NE Stacy, MN 55079		Invoice #3211	
Date: 08/01/2023			
Bill To: Sam Jones 6256 227th Ave NE Stacy, MN 55079	Ship To: Sam Jones 6256 227th Ave NE Stacy, MN 55079		
Description	Amount	Tax	
Culvert Installed	\$ 2,500.00	N	
Subtotal	2,500.00		
Delivery	N/A		
Sales Tax	N/A		
TOTAL: \$ 2,500.00			

- This example shows an invoice for installation of a culvert at the customer's site.
- Installing a culvert is not taxable because it's an improvement to real property.
- The township can purchase the materials used for the job exempt from tax using the local governments exemption.

50

Break Time

Please be back in 5 minutes

51

Q & A Recap



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Local
Government
Purchases

Part 3

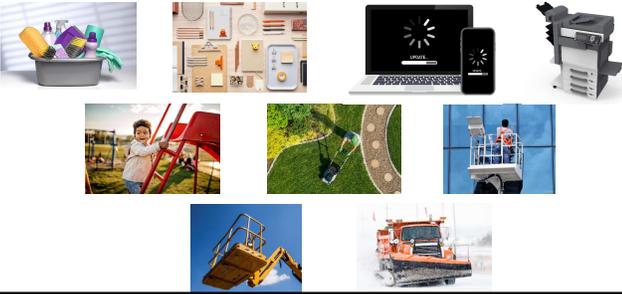
53

Nontaxable Purchases for Local Governments



54

Local Government Purchases – Exempt Inputs



55

How do you claim the exemption?

Elements for a complete exemption certificate:

- Name and address of purchaser
- Purchaser's Minnesota tax ID number
- Type of Business
- Reason for Exemption
- Purchaser's signature and date

56

Purchaser's Responsibilities

- Purchases must be used in providing qualifying activities.
- The item or service must be sold directly to and paid for by the local government.
- The local government must provide the seller with a completed exemption certificate, Form ST3.
- Purchases of construction materials for buildings or facilities which are principally used by the local government.
- The local government is liable for any use tax, interest, and penalties.

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Minnesota Form ST3, Certificate of Exemption

Type of Business

<input type="checkbox"/> 01 Accommodation and food services	<input type="checkbox"/> 11 Transportation and warehousing
<input type="checkbox"/> 02 Agricultural, forestry, fishing, hunting	<input type="checkbox"/> 12 Utilities
<input type="checkbox"/> 03 Construction	<input type="checkbox"/> 13 Wholesale trade
<input type="checkbox"/> 04 Finance and insurance	<input type="checkbox"/> 14 Business services
<input type="checkbox"/> 05 Information, publishing and communications	<input type="checkbox"/> 15 Professional services
<input type="checkbox"/> 06 Manufacturing	<input type="checkbox"/> 16 Education and health-care services
<input type="checkbox"/> 07 Mining	<input type="checkbox"/> 17 Nonprofit organization
<input type="checkbox"/> 08 Real estate	<input checked="" type="checkbox"/> 18 Government
<input type="checkbox"/> 09 Rental and leasing	<input type="checkbox"/> 19 Not a business (explain) _____
<input type="checkbox"/> 10 Retail trade	<input type="checkbox"/> 20 Other (explain) _____

Reason for Exemption

<input type="checkbox"/> A Federal government (department)	<input type="checkbox"/> J Agricultural production
<input checked="" type="checkbox"/> B Specific government exemption (from list on back) City of Marshall - GOVERNMENT	<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 back page) _____
<input checked="" type="checkbox"/> G Religious organization # _____	<input type="checkbox"/> P Percentage exemption
<input type="checkbox"/> H Special	<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) _____%

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Sample Invoice #16

ABC Container Co.		Invoice #8888	
123 Main Street			
Minneapolis, MN 55414			
Date: 12/01/2022			
Bill To:	City of Marshall	Ship To:	City Hall
	344 W. Main Street		344 W. Main Street
	Marshall, MN 56258		Marshall, MN 56258

Description	Amount	Tax
Stainless Steel Waste Receptacle	\$ 100.00	E
Subtotal	100.00	
Delivery	25.00	E
Sales Tax ST3 on file		N/A
TOTAL:	\$ 125.00	

- This example shows an invoice for a stainless steel receptacle used at the City Hall as a collection container for disposal of medications.
- The city may buy the receptacle exempt from sales tax using the local governments exemption.

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Sample Invoice #17

AAA Sand & Gravel		Invoice #3333	
123 Main Street			
Winona, MN 56987			
Date: 04/27/2022			
Bill To:	City of Winona	Ship To:	Gabrych Park
	207 Lafayette Street		950 East 7th St.
	Winona, MN 55987		Winona, MN 55987

Description	Amount	Tax
Ball diamond aggregate	\$ 200.00	E
Subtotal	200.00	
Delivery	100.00	
Sales Tax ST3 on file		N/A
TOTAL:	\$ 300.00	

- This example shows an invoice for aggregate delivered to the city's baseball park.
- The city can purchase the ball diamond aggregate exempt from tax using the local governments exemption.
- The city must give their supplier a completed exemption certificate.

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Sample Invoice #18

Midwest Implement		Invoice #1234
1234 Lake Street Brainerd, MN 56401		
Date: 10/01/2022		
Bill To: City of Brainerd	Ship To: Picked up	
1619 NE Washington St. Brainerd, MN 56401		
Description	Amount	Tax
2022 John Deere Gator	\$ 9,000.00	E
Subtotal	9,000.00	
Delivery		N/A
Sales Tax \$73 on file		N/A
TOTAL:	\$9,000.00	

- This example shows an invoice for a utility vehicle purchased by the Park and Rec Department.
- Since the utility vehicle is not licensed for road use, the city can purchase it exempt using the local government exemption.
- The city must give their supplier a completed exemption certificate.

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Sample Invoice #19

Duluth Shipyards		Invoice #12345
350 Harbor Dr. Duluth, MN 55802		
Date: 8/31/2023		
Bill To: City of Minneapolis	Ship To: Picked up	
350 Fifth St. S. Minneapolis, MN 55415		
Description	Amount	Tax
2023 24' mono hull fire & rescue boat (with foam collar system, weapons storage, box, shock mitigation seats, electronics package)	\$ 200,000.00	E
Twin 200 HP Suzuki outboards		
Boat trailer (marked for use for Fire & Rescue)		
Subtotal	200,000.00	
Delivery		N/A
Sales Tax \$73 on file		N/A
TOTAL:	\$ 200,000.00	

- This example shows an invoice for a boat, motors, and trailer purchased by the City of Minneapolis for Fire & Rescue.
- Since the boat is used by Fire & Rescue, the City can purchase the package exempt using the local government exemption.
- The city must give their supplier a completed exemption certificate.

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Exclusions to the Local Government Exemption

- Cafes
- Campgrounds
- Gas and electric utilities
- Golf courses
- Landfills
- Laundromats
- Liquor stores
- Marinas
- Solid waste hauling
- Solid waste recycling



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Sample Invoice #20

XYZ Energy 505 Fourth Ave. S Minneapolis, MN 55415		Invoice #5678
Date: 9/1/2022		
Bill To: Goodrich Golf Course 1820 Van Dyke St. Maplewood, MN 55109-3709	Ship To: Same	
Description	Amount	Tax
Commercial Electric	\$ 150.00	T
Commercial Water	75.00	T
Commercial Gas	100.00	T
Subtotal	325.00	
Delivery	N/A	
Sales Tax (6.875% MN only)	22.34	
TOTAL: \$ 347.34		

- This example shows an invoice for utilities used at the city-owned golf course.
- The city cannot purchase these utilities exempt from tax because golf courses are excluded from the local government exemption.
- The city must pay Minnesota sales tax on these utilities but does not have to pay Ramsey County local sales tax.

64

What purchases are taxable to local governments?

- Prepared food, candy, soft drinks, and alcoholic beverages
- Purchases and leases of motor vehicles
- Purchases made by ~~an~~ employees
- Temporary lodging
- Purchases subject to other taxes
- Certain construction materials and supplies

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Sample Invoice #21

Good Eats Deli 131 9th Ave. Proctor, MN 55810		Invoice #2233
Date: 10/15/2022		
Bill To: City of Proctor 100 Pionk Drive Proctor, MN 55810	Ship To: City Hall 100 Pionk Drive Proctor, MN 55810	
Description	Amount	Tax
Catered box lunches 25@\$9.75	\$ 243.75	T
Minnesota General Sales Tax (6.875%)	16.76	
Proctor Sales Tax (1.00%)	N/A	
Proctor Food and Beverage Tax (1.00%)	2.44	
St. Louis County Transit Tax (1.00%)	N/A	
TOTAL: \$ 262.95		

- This example shows an invoice for a catered meal purchased by the city.
- The local government exemption does not apply to prepared meals.
- The city must pay the Minnesota general sales tax and the Proctor Food and Beverage Tax but is exempt from the local general sales taxes (Proctor Sales Tax and the St. Louis County Transit Tax), as indicated by the N/A on the invoice.

66

Use Tax Accrual for Multi-Use Purchases

Local Government Purchase Invoice	Purchase for Non-Qualifying Activity	Amount Reported on the Sales and Use Tax Return
Materials Purchased \$725	Materials Purchased \$725	Use Tax Purchases \$544
Minnesota General Sales Tax <u>Exempt</u>	% Used for Non-Qualifying Activity <u>75%</u>	Minnesota Use Tax Rate <u>6.875%</u>
Total Invoice \$725	Purchase Subject to Tax \$544	Use Tax Purchases \$37

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Construction Materials

- Local Government purchases
- Contractor purchases
 - Purchasing agent agreement

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Appointing a Contractor as a Purchasing Agent

Purchasing agent agreements must show the local government:

- Authorized the contractor as the purchasing agent
- Took title to all materials and supplies at the point of delivery
- Is responsible for the risk of loss for all materials and supplies
- Is responsible for all defective materials and supplies

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Contractor as a Purchasing Agent

The contractor must keep documentation to show that a purchasing agent relationship exists. For example:

- A letter or copies of the written contract showing all requirements mentioned earlier
- Evidence of the organization's exempt status

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Capital Equipment and Industrial Production Exemptions

- Materials used or consumed in producing a product ultimately sold at retail are not taxable (Industrial Production Exemption).
- Machinery and equipment used for 50 percent or more of its operating time to create a tangible product for retail sale (Capital Equipment Exemption).

77

Other Government Exemptions

Materials and equipment used to produce electricity, water used at retail, or gas are exempt from sales tax using the industrial production exemption, and do not qualify for the local government exemption.



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Exemption for Construction of Correctional Facilities

- Materials eligible for a refund of sales tax paid
 - The project must be required by state or federal law, rule, or regulation.
 - The contractor must give the local government a statement that lists the cost of materials and the sales tax paid.
 - Purchasing agent agreements are not allowed for correctional facilities.
- Use Form ST11, Sales and Use Tax Refund Request

82

Exemption for Construction of Public Safety Facilities

- Materials eligible for a refund of sales tax paid
 - Fire and police stations owned by a local government
 - Construction, remodeling, improvement, or expansion
- Use Form ST11, Sales and Use Tax Refund Request

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Break Time

Please be back in 5 minutes

84

Q & A Recap



85



Local Taxes

Part 4

86

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 tax(es)
- Motor vehicle \$20 excise tax



87

Local Sales Tax Information

- Local Sales and Use Tax Guide
 - Fact Sheet 164M, Minneapolis Special Local Taxes
 - Fact Sheet 164S, Special Local Taxes
- New local taxes
- Tools to find tax rates

88

Tax Increases

Local Sales Tax Increases

- Metro Sales Tax Transportation 0.75% (Effective 10/1/2023)
- Metro Sales Tax Housing 0.25% (Effective 10/1/2023)
- Fergus Falls 0.5% (Effective 10/1/2023)

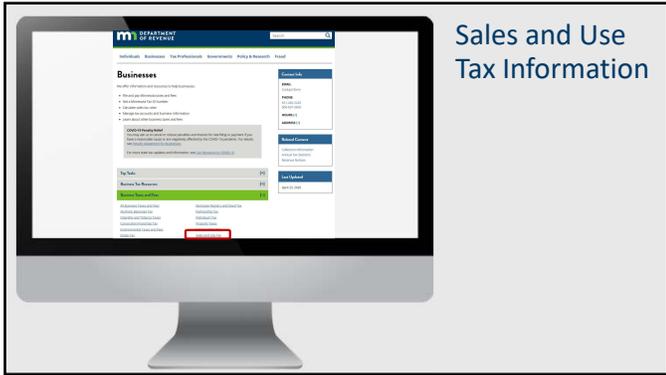
89

Tools to Find Tax Rates

We offer a variety of tools including:

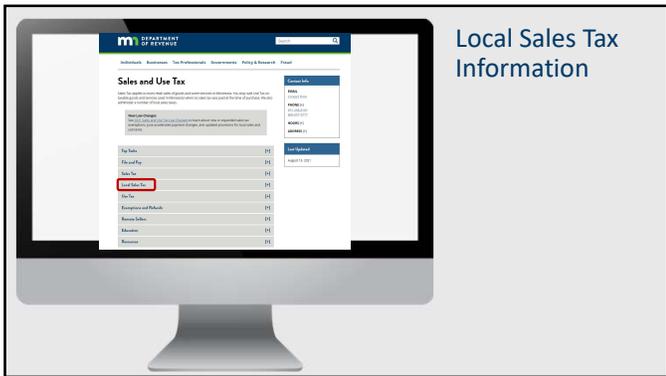
- Sales Tax Rate Calculator
- Sales Tax Rate Map
- Sales Tax API (Application Program Interface)
- Sales Tax Rate Spreadsheet
- Local Sales Tax Rate Guide
- Twin Cities Area Local Tax Rate Guide

90



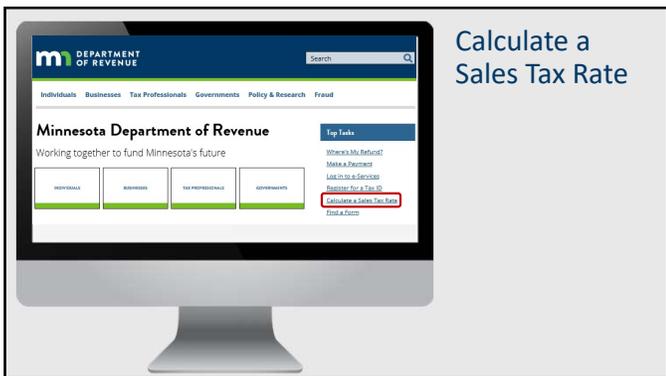
Sales and Use Tax Information

91



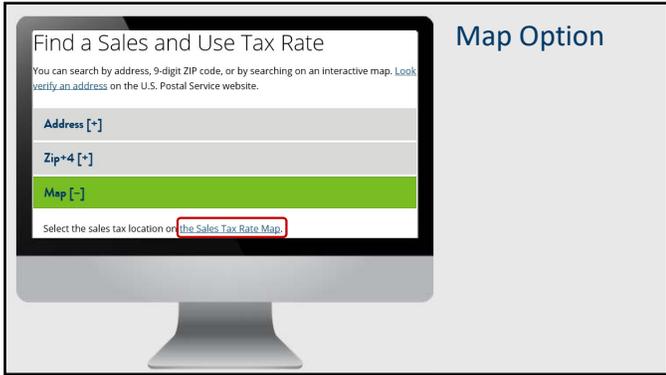
Local Sales Tax Information

92



Calculate a Sales Tax Rate

93



97

Map Option

- Address Search
600 Robert St N,
St. Paul 55101-2228
- Results
MN State = 6.875%;
Ramsey County Transit =
0.500%; St. Paul = 0.5%;
Metro Area Transportation
= 0.75%; Metro Area
Housing = 0.25%
(Oct - Dec 2023)

98

Sales Tax API
(Application
Program Interface)

99



Filing Returns
and
Recordkeeping

Part 5

100

Filing and Paying

e-Services

You must do two things to avoid late filing and late payment penalties:

1. File your return by the due date.
2. Pay your sales and use tax liability on or before the due date.

101

Filing Due Dates

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

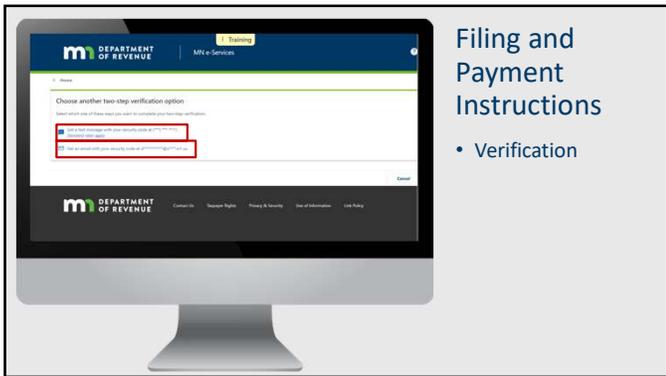
102



MN e-Services Filing and Payment Instructions

- Log In
- Registration

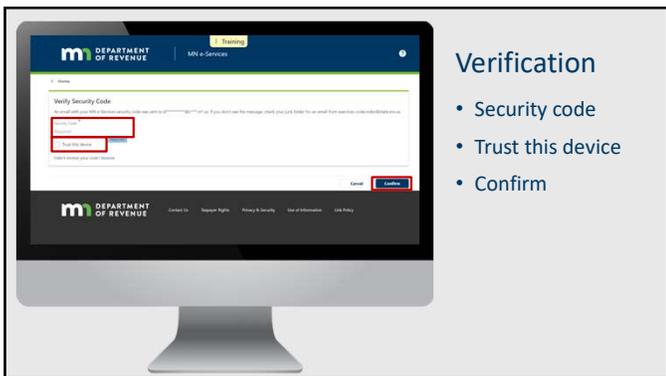
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Filing and Payment Instructions

- Verification

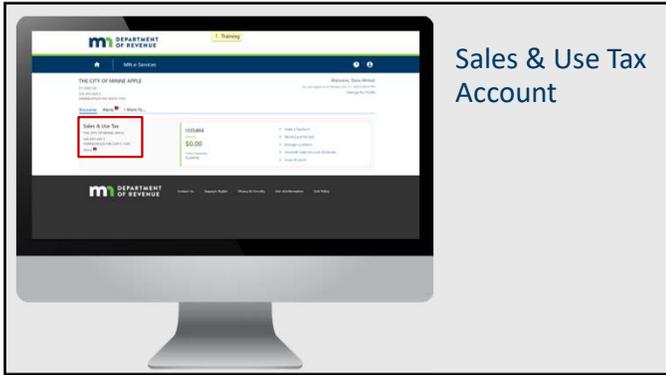
104



Verification

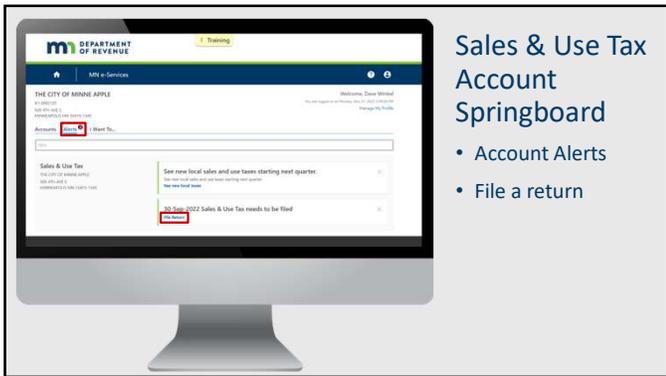
- Security code
- Trust this device
- Confirm

105



Sales & Use Tax Account

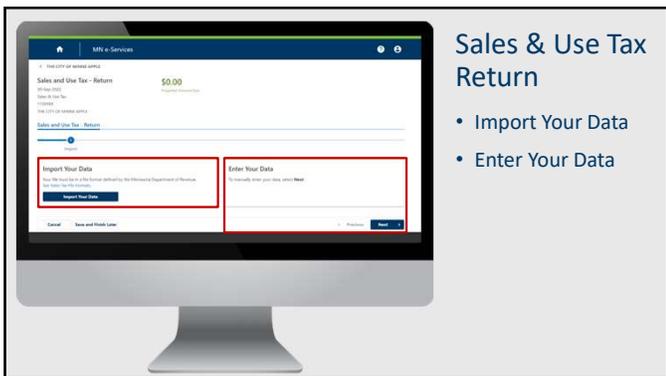
106



Sales & Use Tax Account Springboard

- Account Alerts
- File a return

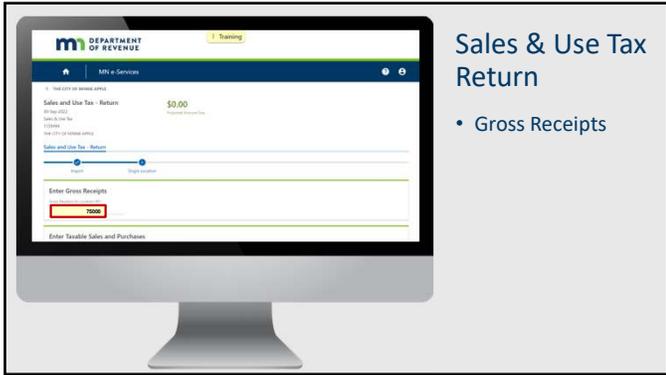
107



Sales & Use Tax Return

- Import Your Data
- Enter Your Data

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Sales & Use Tax Return

- Gross Receipts

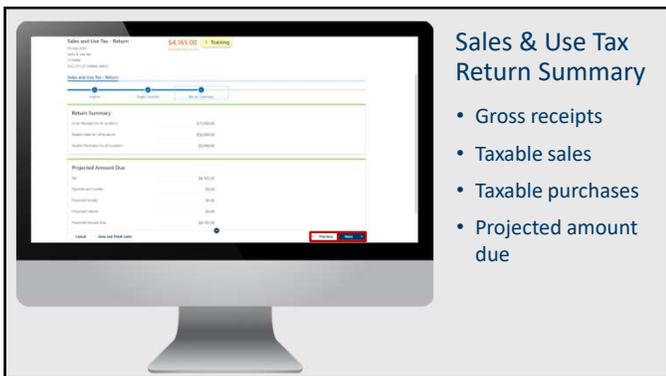
109



Sales & Use Tax Return

- Taxable sales
- Taxable purchases
- Variable rate purchases
- Add a tax line
- Save and finish later

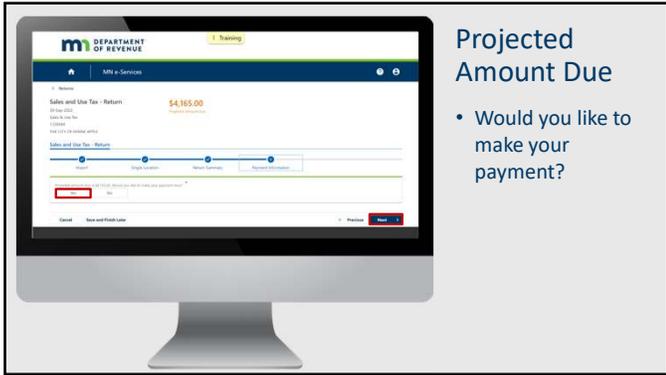
110



Sales & Use Tax Return Summary

- Gross receipts
- Taxable sales
- Taxable purchases
- Projected amount due

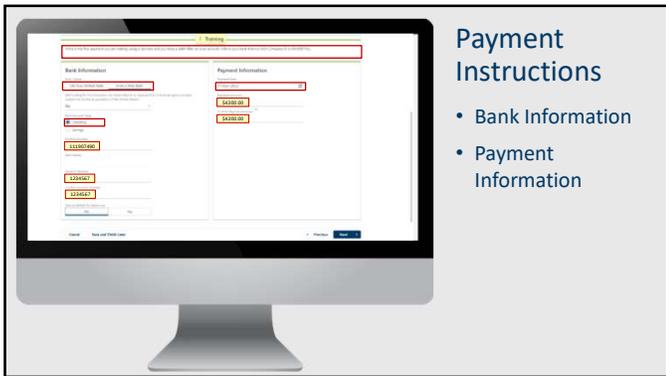
111



Projected Amount Due

- Would you like to make your payment?

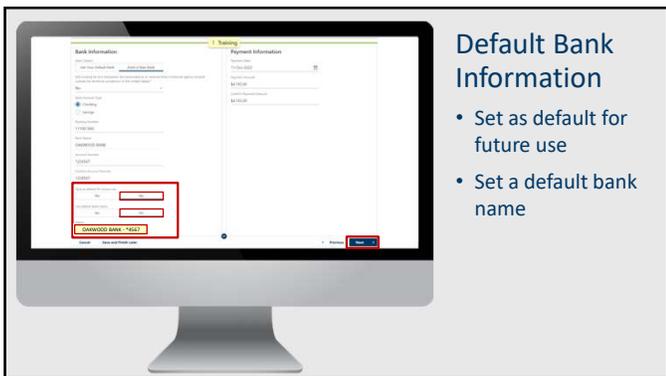
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Payment Instructions

- Bank Information
- Payment Information

113



Default Bank Information

- Set as default for future use
- Set a default bank name

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Recordkeeping

Keep good records that detail the amount of state and local tax you owe:

- Bills, receipts, invoices, cash register tapes
- Exemption certificates
- Shipping documents
- Worksheets used to prepare your tax returns

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Resources to Answer Your Questions

Part 6

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Are you looking for additional resources?



Visit our website at revenue.state.mn.us

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Sales and Use Tax Contact Information

- Local Government Services
 - Email: LocalGovernmentServices.mdor@state.mn.us
 - Phone: 651-556-6117
- Sales and Use Tax account questions
 - Email: salesuse.tax@state.mn.us
 - Phone: 651-296-6181 or 800-657-3777 (toll free)



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Other Division Contact Information

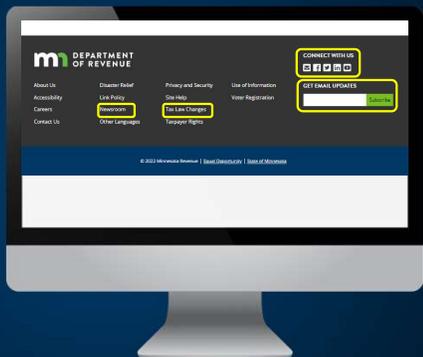
- Business Income Taxes
 - 651-556-3075
 - Email: businessincome.tax@state.mn.us
- Withholding Tax
 - 651-282-9999 or 1-800-657-3594
 - Email: withholding.tax@state.mn.us
- Business Registration
 - 651-282-5225 or 1-800-657-3605
 - Email: Business.Registration@state.mn.us



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Stay Informed

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



123

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



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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

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Educational Opportunities

- Sales and Use Tax for e-Services
- Introduction to Sales and Use Taxes
- Sales and Use Tax for Agricultural and Farming
- Sales and Use Tax for Contractors
- Sales and Use Tax for Manufacturers
- Sales and Use Tax for Retailers
- Sales and Use Tax for Schools
- Sales and Use Tax for Taxable Service Providers
- Sourcing of Sales: Applying State and Local Taxes

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References

- Admissions and Amusement Devices Industry Guide
- Detective and Security Services (Fact Sheet 114)
- Government – Local Government Industry Guide
- Lawn and Garden Maintenance, Tree and Shrub Services (Fact Sheet 121A)
- Libraries Industry Guide
- Liquor Stores and Liquor Distributors Industry Guide

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References cont.

- Local Sales and Use Taxes Guide
- Minnesota Sales and Use Tax Business Guide
- Motor Vehicle Industry Guide
- Parking Service Providers Industry Guide
- Residential Utilities Fact Sheet (Fact Sheet 157)
- Telecommunications, Pay Television, and Related Services (Fact Sheet 119)

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Course Review

During this course, we discussed...

- Who qualifies for the local government exemption.
- What products and services sold by a local government are subject to sales tax.
- What a local government can purchase exempt from sales tax.
- When a purchasing agent agreement is appropriate.
- Recordkeeping practices to ensure you report and pay the correct amount of sales and use tax.
- Resources that answer sales and use tax questions.

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Thank you!

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