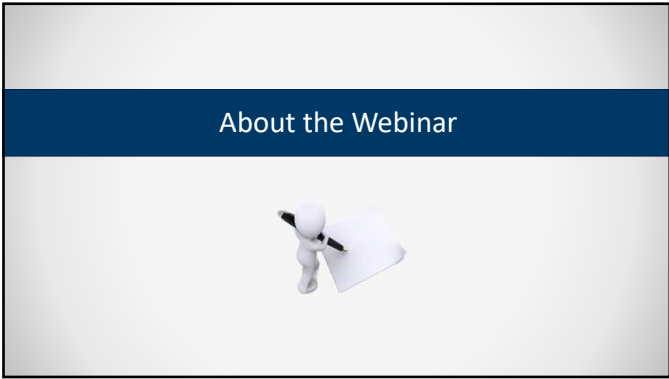
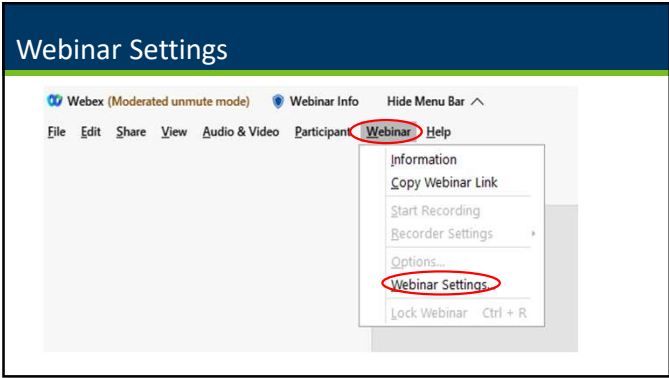




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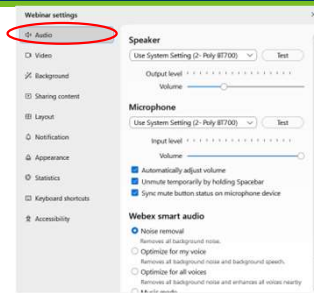


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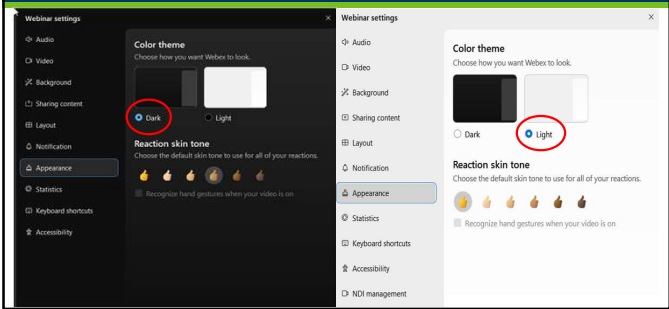
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Webinar Settings



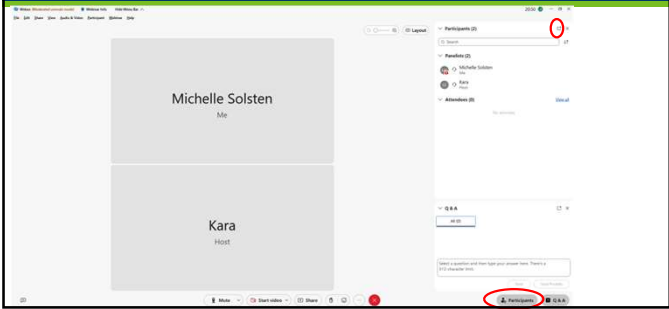
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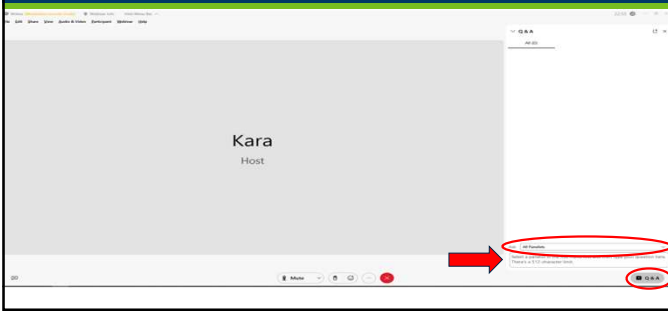
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Interactive Panels



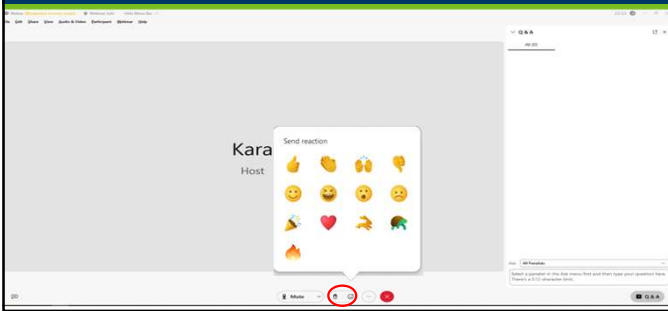
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Interactive Panels



7

Interactive Panels



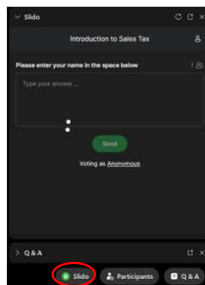
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Interactive Panels



9

Interactive Panels



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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.

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Course Description

This course covers how Minnesota Sales and Use Tax laws apply to the agricultural production of cannabis.

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

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

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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
- Distinguish how Minnesota sales and use tax applies to cannabis production
- Identify how to use and when to accept an exemption certificate
- List several resources that answer your sales and use tax questions

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Minnesota Office of Cannabis Management

[For People Interested in Starting a Business:](#)

- Information about buying and selling seeds
- Cannabis Tax
- Guidance regarding financial services to the cannabis industry
- Licenses

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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 prepare the soil for planting crops.
- **Ends** when you place the crops into finished goods inventory.

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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

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Sourcing to Seller's Address



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Sourcing to Delivery Address



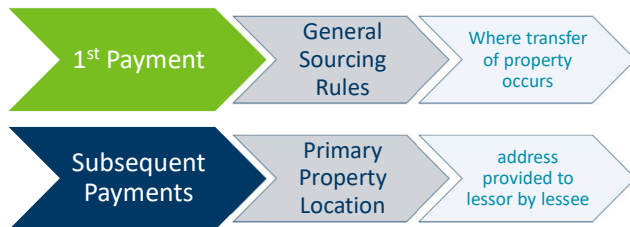
18

Sourcing to Billing Address



19

Sourcing Rules for Leases or Rentals of TPP



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What is the tax rate?



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Local Taxes



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

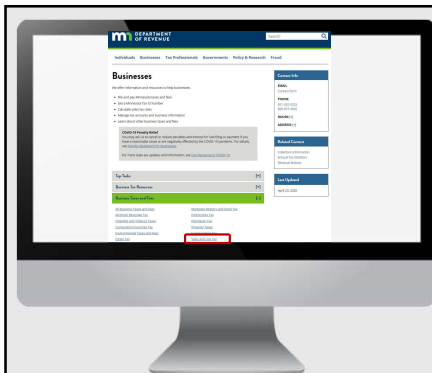
- City tax
- County tax
- Special local taxes
- Motor vehicle \$20 excise tax

22

Cannabis Tax



23



Sales and Use Tax Information

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

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Exempt Transactions

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

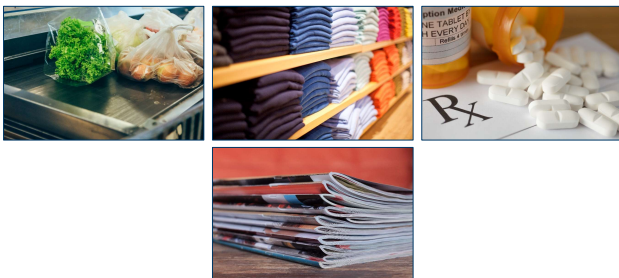
Product-based exemption

Entity-based exemption

Use-based exemption

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Product-Based Exemptions



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Entity-Based Exemptions

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

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 cannabis agricultural production
- Materials used or consumed in the manufacturing process

29

Authorization Letters and Permits

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

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

Exemption Certificate Requirements

- 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

Other Fields on the Exemption Certificate

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

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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

Seller's Responsibilities

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

35



Sales

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Examples of Sales

- Nontaxable sales
 - Agricultural product for resale
- Taxable sales
 - Sales to friends, family members, or employee
 - Waste product sales

37



Materials Consumed in Agricultural Production

38

Nontaxable Chemicals

You may buy chemicals exempt if they are used to:

- Fertilize cannabis plants,
- Clone cannabis plants, or
- Control weeds, disease, and/or insect infestation

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Taxable Chemicals

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

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

40

Nontaxable Utilities Used in Production

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

- Heating and cooling in the agricultural growing process
- Lighting for growing space
- Ventilate facilities where cannabis is grown
- Drying cannabis

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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) 97 % _____ % |

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 31, 2021
--	-------------------------------	----------------	-----------------------

Rev. 7/19

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Taxable Utilities

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

- General space heating and lighting for buildings that are not used in cannabis production
- Illuminating a yard light

43

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.

44

Nontaxable Plants and Seeds

Plants and seeds used in agricultural production are not taxable.

- Cannabis plants
- Cannabis seeds

45

Taxable Tracking Equipment

Taxable purchases for mandated tracking production

- Plant Identification/Tracking Supplies
- Scanners
- Software

46

Waste Treatment

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

- Chemicals
- Materials
- Supplies

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Break Time

48



Machinery and Equipment

49

Overview of Equipment Purchases

Type of Equipment	Qualify for Exemption?
Qualifying "Farm Machinery"	Yes
Fencing	No
Hand Tools	No
Lawnmower	No

50

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

51

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 cannabis 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

52

What does farm machinery include?

Farm machinery includes:

- Machinery for the preparation, seeding, or cultivation of soil for growing cannabis crops
- Irrigation equipment sold exclusively for agricultural use

53

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.

54

Claiming The Farm Machinery Exemption

Reason for Exemption (See Instructions)

☐ A Federal government (department) _____
☐ B Specific government exemption

☐ C Tribal government (name) _____
☐ D Foreign diplomat # _____
☐ E Charitable organization # _____
☐ F Educational organization # _____
☐ G Religious organization # _____
☐ H Resale
☐ I Qualifying capital equipment (see instructions when equipment claimed is part of a construction project)

☐ J Agricultural production
☐ K Industrial production/manufacturing
☐ L Direct pay authorization
☐ M Multiple points of use (services, digital goods, or computer software delivered electronically)
☒ ~~N Direct mail~~ **O Other (enter number from instructions) #9 - Farm Machinery**
☐ P Percentage exemption
☐ Advertising (enter percentage) _____ %
☐ Utilities (enter percentage) _____ %
☐ 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
--	-------------------------------	----------------	-----------------------

Rev. 7/19

55

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

56

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

57

Exempt Dryer Systems

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

- Dryers
- Drying system components
- Similar types of equipment

58

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

59



Exempt Machinery

60

Crop Handling

Examples of exempt items include:

- Bucking machines
- Cultivators
- Harvesters, and
- Rototillers

61

Field Equipment – Planting, Cultivating, Harvesting

Examples of exempt items include:

- GPS Systems
- Planters
- Loaders and unloaders
- Tractors



62

Nursery and Greenhouse

Examples of exempt items include:

- Capillary water mats
- Flat and pot fillers
- Grow lights, and
- Soil mixers

63

Nursery and Greenhouse, cont.

More examples of exempt items include:

- Fans
- Heaters
- Water wands

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Installation Into Real Property

65

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.

66



Taxable Purchases

67

General Items

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

68

Machinery and Equipment

- Lawnmowers
- Snow blowers
- Snowmobiles
- Tires
- Tools and shop equipment



69

Taxable Services

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

70

Miscellaneous Taxable Items

- All-terrain vehicles (ATVs)
- Drain tile
- Motor vehicles



71



Taxable Items Used in Agricultural Production

72

Taxable Items Use in Cannabis Production

Examples of taxable items include:

- Barns and pole barns
- Machine sheds
- Cellphones
- Radio equipment
- Telephone equipment

73

Equipment Not Used Directly and Principally in Production

Examples of taxable items include:

- Backhoes
- Electric pest controllers
- Service tank pumps
- Storage tanks
- Water well heaters

74

Fencing Materials

Examples of taxable items include:

- Fence posts
- Fencing materials
- Gate closers

75

Miscellaneous Equipment

Examples of taxable items include:

- Conveyors, carts, and trailers used in retail areas
- Drain tile
- Tarps (canvas, plastic, etc.)
- Watering cans

76

Safety Equipment

Examples of taxable items include:

- Gas masks
- Goggles
- Respirators

77

Shop Equipment

Examples of taxable items include:

- Fuel storage tanks
- Hoists
- Welding equipment

78

Tools

Examples of taxable items include:

- Hand tools
- Pitch forks
- Shovels and spades

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Minnesota Use Tax Worksheet			
Company Name: _____			
Use tax accrued about for the period of _____ through _____			
Date	Invoice Number	Vendor	Taxable Amount
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Period total: _____			
<small>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.</small>			

Use Tax

80

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

81

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.

82

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.

83

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

84

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

85

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%

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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.

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Recordkeeping Basics

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Recordkeeping

Your records should include:

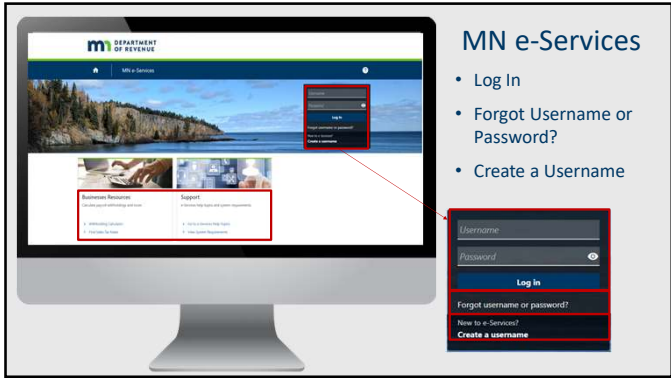
- Bills, receipts, invoices, cash-register tapes, and any other documents that support the entries in your books
- Exemption certificates
- Shipping documents
- Worksheets used to prepare your tax returns

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Filing and Payment Information

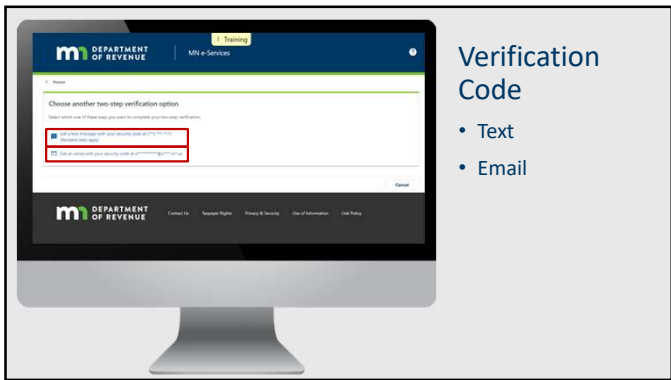
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MN e-Services

- Log In
- Forgot Username or Password?
- Create a Username

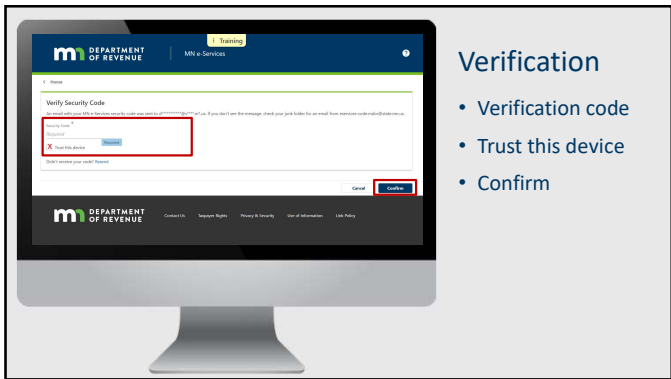
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Verification Code

- Text
- Email

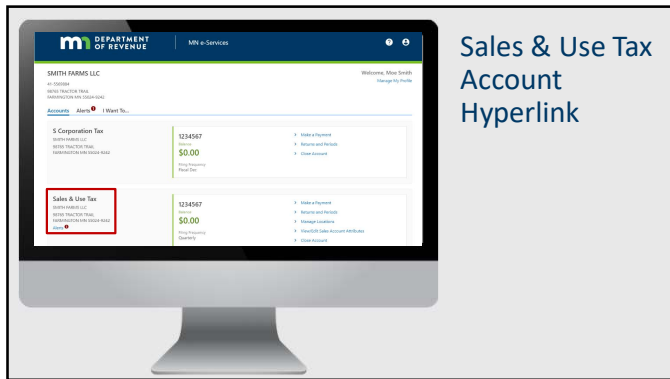
92



Verification

- Verification code
- Trust this device
- Confirm

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Sales & Use Tax Account Hyperlink

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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



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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

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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


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Resources to Answer Your Questions

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Are you looking for additional resources?



For general questions visit our website at revenue.state.mn.us

For cannabis specific questions visit the [Minnesota Office of Cannabis Management | State of Minnesota - Office of Cannabis Management \(mn.gov\)](#)

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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)



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Other Division Contact Information

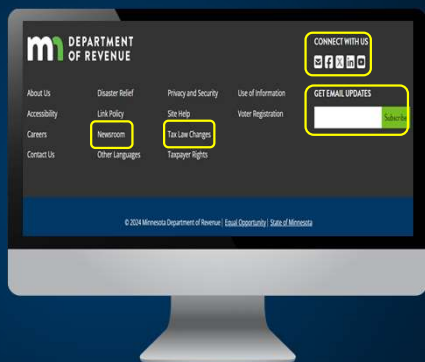
- Business Income Taxes
 - 651-556-3075
 - Email: businessincome.tax@state.mn.us
- Withholding Tax
 - 651-282-9999 or 1-800-657-3594
 - Email: withholding.tax@state.mn.us
- Business Registration
 - 651-282-5225 or 1-800-657-3605
 - Email: Business.Registration@state.mn.us



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Stay Informed

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



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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



103

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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Sales and Use Tax Education Classes

Cannabis related webinars:

- Sales and Use Tax for Cannabis Manufacturing
- Sales and Use Tax for Cannabis Retailers

Other helpful Webinars:

- Introduction to Sales and Uses Taxes, and
- Sales and Use Tax for e-Services

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Business Information Updates

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

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Course Review

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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
- Distinguish how Minnesota sales and use tax applies to hemp and cannabis production
- Identify how to use and when to accept an exemption certificate
- Find several resources that answer your sales and use tax questions

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Questions?

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Thank you!

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