

**This notice was modified on September 8, 2025.**

## **Department of Revenue**

### **Modification of Revenue Notice # 06-08: Sales and Use Tax - Motor Vehicle Leases - Taxes and Fee\*\***

**\*\*As modified.**

#### **Background**

Leases or rentals of most passenger automobiles, vans, and pickup trucks to customers in Minnesota for periods of no more than 28 days are subject to state and local sales taxes, the 9.2 percent motor vehicle rental tax, and the 5 percent motor vehicle rental fee. This revenue notice sets forth the department's position on which amounts must be included in the sales price of short-term motor vehicle leases and rentals under *Minnesota Statutes*, section 297A.64.

#### **Department Position**

The taxes and fee on short-term vehicle leases and rentals are imposed upon the sales price, which is the total amount of consideration paid by the customer to the lessor subject to any exclusions from the sales price as defined under *Minnesota Statutes*, section 297A.61, subdivision 7. When computing state and local sales taxes, the 9.2 percent motor vehicle rental tax, and the 5 percent motor vehicle rental fee, the lessor would compute the taxes and fees on the sales price, which would be the same base amount for each tax or fee.

The sales price includes any charges by the lessor for goods or services that are necessary to complete the transaction. Any mandatory charges are also part of the sales price.

The sales price also includes any taxes, charges, fees, or assessments that are legally imposed upon the lessor but that are passed on to the customer, even when separately stated on the invoice or bill to the customer. Any fees or charges, such as a facility usage fee or a franchise fee, that are imposed upon the lessor are part of the lessor's cost of doing business and are therefore part of the sales price. Examples of charges that are imposed upon the lessor, and included in the sales price, are the Concession Recovery Fee and the Rental Auto Facility Charge imposed by the Metropolitan Airports Commission. Any taxes imposed directly on the customer are excluded from the sales price if they are separately stated on the billing or invoice to the customer.

However, damage waiver fees and optional personal accident liability insurance are not part of the sales price.

#### **Examples**

A car rental firm leases a vehicle to a customer at its Minneapolis location. The lease is for a period of four days at the rate of \$30 per day. The total lease payment of \$120 would be subject to state and local sales taxes, the 9.2 percent motor vehicle rental tax, and the 5 percent motor vehicle rental fee.

A car rental firm leases a vehicle to a customer at the Minneapolis-St. Paul International Airport for a day. The one-day rental rate is \$30. In addition to the daily rental charge there is a \$5.90 per day facility usage fee or Rental Auto Facility Charge and a Concession Recovery Fee of

11.11 percent which rounds to \$3.33. The total rental charge to the customer of \$39.23 is subject to state and local sales taxes, the 9.2 percent motor vehicle rental tax, and the 5 percent motor vehicle rental fee.

Note: The Metropolitan Airports Commission sets rental auto facility charges and concession recovery fees under the authority of *Minnesota Statutes*, section 473.651 by ordinance. Thus, the rates for these charges and fees provided in the example are accurate only as of the date of publication of this Revenue Notice and are subject to change.

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**Key:** Underlining indicates additions to existing Revenue Notice language. Strikeouts indicate deletions from existing Revenue Notice language.

## Department of Revenue

### Modification of Revenue Notice # 06-08: Sales and Use Tax - Motor Vehicle Leases - Taxes and Fee

#### Background

Leases or rentals of most passenger automobiles, vans, and pickup trucks to customers in Minnesota for periods of no more than 28 days are subject to ~~the 6.5 percent state and local sales tax and an additional 6~~taxes, the 9.2 percent motor vehicle rental tax. ~~The transaction may also be subject to a , and the 5 percent motor vehicle rental fee if the lessor does not meet a statutory exemption based upon sales activity in the previous calendar year. These leases may also be subject to a local sales tax if the vehicles are leased in a political subdivision with a local sales tax. This revenue notice sets forth the department's position on which amounts must be included in the tax-~~base on which state and local sales taxes and the sales price of short-term motor vehicle rental fee- ~~are computed~~leases and rentals under *Minnesota Statutes*, section 297A.64.

#### Department Position

The taxes and fee on short-term vehicle leases and rentals are imposed upon the sales price, which is the total amount of consideration paid by the customer to the lessor subject to any exclusions from the sales price as defined under *Minnesota Statutes*, section 297A.61, subdivision 7. When computing state and local sales taxes, the rental 9.2 percent motor vehicle rental tax, and the 5 percent motor vehicle rental fee, the lessor would compute the taxes and fees on the sales price, which would be the same base amount for each ~~transaction that is subject to taxation~~tax or fee.

The sales price includes any charges by the lessor for goods or services that are necessary to complete the transaction. Any mandatory charges are also part of the sales price ~~when computing the taxes and fee.~~ ~~However, damage waiver fees and optional personal accident liability insurance are not part of the sales price.~~

The sales price also includes any taxes, charges, fees, or assessments that are legally imposed upon the lessor but that are passed on to the lessee customer, even when separately stated on the invoice or bill to the lessee customer. Any fees or charges, such as a facility usage fee or a franchise fee, that are imposed upon the lessor are part of the lessor's cost of doing business and are therefore part of the sales price. Examples of charges that are imposed upon the lessor, and included in the sales price, are the Concession Recovery Fee and the Rental Auto Facility Charge imposed by the Metropolitan Airports Commission. Any taxes imposed directly on the lessee customer are excluded from the sales price if they are separately stated on the billing or invoice to the lessee customer.

However, damage waiver fees and optional personal accident liability insurance are not part of the sales price.

#### Examples

A car rental firm leases a vehicle to a customer at its Minneapolis location. The lease is for a period of four days at the rate of \$30 per day. The total lease payment of \$120 would be subject to the state and local sales taxes, the 9.2 percent motor vehicle rental tax, and the 5 percent motor vehicle

~~rental fee, 6.5 percent state sales tax, the 6.2 percent motor vehicle rental tax, the .15 percent Hennepin County tax, the .25 percent transit improvement tax, the 5 percent motor vehicle rental fee and the 0.5 percent Minneapolis city sales tax.~~

~~A car rental firm leases a vehicle to a customer at the Mpls. St. Paul airport Minneapolis-St. Paul International Airport for a day. The one-day rental rate is \$30. In addition to the daily rental charge there is a \$25.90 per day facility usage fee or Rental Auto Facility Charge and a Concession Recovery Fee of 9.511.11 percent which equals \$2.85 rounds to \$3.33. The total rental charge to the customer of \$39.23 is subject to state and local sales taxes, the 9.2 percent motor vehicle rental tax, and the 5 percent motor vehicle rental fee. ~~The total rental charge to the customer of \$34.85 is subject to the 6.5 percent state sales tax, the 6.2 percent motor vehicle rental tax, the .15 percent Hennepin County tax, the .25 percent transit improvement tax and the 5 percent motor vehicle rental fee.~~~~

Note: The Metropolitan Airports Commission sets rental auto facility charges and concession recovery fees under the authority of *Minnesota Statutes*, section 473.651 by ordinance. Thus, the rates for these charges and fees provided in the example are accurate only as of the date of publication of this Revenue Notice and are subject to change. ~~Note should be made that the motor vehicle rental fee was increased from 3 to 5 percent effective July 1, 2008 and as of July 1, 2009, the 6.5 percent state sales tax rate will be increased to 6.875 percent.~~

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Relations