

# MinnesotaCare Taxes

## 2025 Wholesale Drug Distributor Tax

Instructions for filing your MinnesotaCare Wholesale Drug Distributor Tax Return  
(Minnesota Statutes, sections 295.50 through 295.59)

### Contact Us

#### Website/e-Services

[www.revenue.state.mn.us](http://www.revenue.state.mn.us)

#### MinnesotaCare Taxes

##### Email

[MinnesotaCare.tax@state.mn.us](mailto:MinnesotaCare.tax@state.mn.us)

##### Phone

651-282-5533

Weekdays, 8 a.m. to 4:30 p.m.

##### Fax

651-556-5233

#### Business Registration

##### Email

[business.registration@state.mn.us](mailto:business.registration@state.mn.us)

##### Phone

651-282-5225 or 1-800-657-3605

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This information is available in alternate formats.

### Your 2025 Annual Return is Due March 16, 2025

File your return electronically starting **January 22, 2026**.

Go to our website and log in to e-Services to file or pay.

## What's New

### Rebates

Due to a 2025 tax law change, wholesale drug distributors must include all rebates paid to customers in their gross revenues received after June 30, 2025.

Wholesale drug distributors may factor certain rebates into consideration when calculating their gross revenues received from January 1 to June 30, 2025. You may factor the rebates allowed by the Minnesota Supreme Court decision in *Dakota Drug, Inc. v. Commissioner of Revenue*. For gross revenues received after June 30, 2025, wholesale drug distributors must include rebates in their gross revenues.

Example: Wholesale drug distributor enters into a contract with a pharmacy that requires the pharmacy to pay the wholesale drug distributor \$10,000 for legend drugs in 2025. The contract: 1) provides the pharmacy is entitled to a non-discretionary rebate of \$1,000 from the wholesale drug distributor to be paid in \$250 quarterly installments (April 15, July 15, and October 15, 2025 and January 15, 2026); and 2) contains the terms and conditions central to the holding in *Dakota Drug, Inc. v. Commissioner of Revenue*, 13 N.W.3d 387 (Minn. 2024). The wholesale drug distributor may reduce their gross revenues amount to \$9,750 to reflect the rebate paid prior to July 1, 2025. All rebates paid by the wholesaler after June 30, 2025 cannot be used to reduce gross revenues.

### 2025-2026 Interest and Tax Rates

The interest rate for 2025 is 8% and the interest rate for 2026 is 7%.

The tax rate for 2026 remains at 1.8%.

## Important Reminders

### Board of Pharmacy License

Pharmacies selling drugs at wholesale in Minnesota must both: 1) register an account with the Minnesota Department of Revenue; and 2) be licensed with the Minnesota Board of Pharmacy in accordance with Minnesota Statutes, section 151.441, subdivision 13, and section 151.47. For more information about the Minnesota Board of Pharmacy's wholesaler licensing requirement, review the relevant statutes or visit the **Board's drug wholesaler webpage**, which states: "Any facility or other entity that engages in wholesale drug distribution in the Minnesota must first obtain a drug wholesaler license. A separate license must be obtained for each facility engaged in wholesale drug distribution within this state and for each out-of-state location from which drugs are shipped into this state."

### Receive Email Updates

Stay informed about MinnesotaCare taxes! Sign up to receive email updates about:

- Filing and payment due date reminders
- New or updated publications
- Educational tax seminars
- Tax law changes

To sign up, go to our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and subscribe to email updates. Enter your email address and select **MinnesotaCare Tax Updates** from the list.

# Register for a Minnesota Tax ID Number

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You need a Minnesota Tax ID Number and a MinnesotaCare Wholesale Drug Distributor Tax account to file returns and make estimated tax payments. A Minnesota ID number is a seven-digit number assigned to you when you register with the Minnesota Department of Revenue.

If you do not have a Minnesota ID number, you must register for one. You can register on our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us) or by contacting Business Registration (refer to *Contact Us* on Page 1). You can add a Wholesale Drug Distributor Tax account at the same time you register for a Minnesota ID number.

If you currently have a Minnesota ID number for other Minnesota taxes, you can add a Wholesale Drug Distributor Tax account to your number. To add an account, go to our website and log in to e-Services or contact Business Registration.

## General Information

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### Who Must File

You must file a MinnesotaCare Wholesale Drug Distributor Tax Return if you are a wholesale drug distributor that has taxable presence, or nexus, in Minnesota and sells or distributes legend drugs in the state.

These situations are common examples of when you are subject to tax:

- You are a business that has taxable presence in Minnesota and you sell legend drugs at wholesale in the state (including, but not limited to, wholesale drug distributors, manufacturers, and repackagers)
- You are a business that sells or distributes legend drugs to a related corporate entity in Minnesota

**Note:** You are not required to file a return if you only sell or distribute legend drugs to these entities:

- Other wholesale drug distributors selling exclusively at wholesale
- Veterinarians
- Veterinary bulk purchasing organizations

### Remote Sellers

Remote sellers are out-of-state businesses that sell products to customers in Minnesota without having physical presence, or nexus, in the state.

Remote sellers that sell or distribute legend drugs at wholesale into Minnesota must file a Wholesale Drug Distributor Tax Return if they meet one or both of these thresholds during a calendar year:

- 200 or more legend drug sales, deliveries, or distributions into Minnesota
- More than \$100,000 in gross receipts from the sale, delivery, or distribution of legend drugs into Minnesota

**Small Seller Exception for Remote Sellers.** Remote sellers that are below both thresholds during a calendar year qualify for the Small Seller Exception and are not subject to tax for that year.

If you qualify for the Small Seller Exception for 2025 and are not registered for Wholesale Drug Distributor Tax, you do not need to register or file a return now. If for any calendar year you no longer qualify for the Small Seller Exception, you must register, file a return, and pay tax for that year.

If you qualify for the Small Seller Exception for 2025 and are already registered, refer to *Claiming the Small Seller Exception for Remote Sellers* on Page 6.

For more information on remote seller requirements and the Small Seller Exception, go to our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and enter **MinnesotaCare Remote Sellers** in the Search box.

### Taxable Presence (Nexus)

You are subject to MinnesotaCare tax if you have taxable presence, or nexus, in Minnesota. Taxable presence means you either have physical presence or economic presence in the state.

#### Physical Presence

You have physical presence in Minnesota if you, a subsidiary, or an affiliate have a location in the state or a representative that does work for you in the state. Representatives include those working in the state, permanently or temporarily. You also have physical presence if you own or lease property in Minnesota.

If you have physical presence in Minnesota, you must file a return every year.

#### Economic Presence

Economic presence in Minnesota only applies to remote sellers (out-of-state businesses that sell or distribute legend drugs at wholesale into Minnesota without having physical presence in the state). Remote sellers have economic presence in Minnesota every year they do not qualify for the Small Seller Exception and must file a return for those years.

For more information on taxable presence and for common examples of locations, representatives, and property that establish physical presence in Minnesota, go to our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and enter **MinnesotaCare Taxable Presence** in the Search box.

# General Information (continued)

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## Definition of Legend Drugs

Legend drugs are drugs or gases required by federal law to be sold or dispensed in a container labeled with one of these statements:

- “Caution: Federal law prohibits dispensing without prescription”
- “Rx only”

Nutritional products, blood, and blood components (e.g., plasma, platelets, red blood cells, and white blood cells) are not legend drugs and are not subject to the Wholesale Drug Distributor Tax.

Biological products, including blood derivatives, are legend drugs. However, two biological products – blood and blood components – are not. They are excluded from the statutory definition of legend drug.

## Tax Expense Transfer

Wholesale drug distributors may transfer and recover the cost of MinnesotaCare Wholesale Drug Distributor Tax, or the “tax expense”, by passing it through to buyers of the legend drugs.

You cannot transfer the tax expense in a deceptive manner or transfer it when no tax is owed.

## Revenue Notices

Revenue notices provide interpretation, details, or more information on Minnesota tax laws or rules. Revenue Notice 98-10, *Legend Gas Distributors*, applies to Wholesale Drug Distributor Tax. Go to our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us) to download a copy.

## Electronic Filing and Payment Requirements

### Annual Return

You must file your annual return electronically using our e-Services system (refer to *How to File Your Annual Return* on Page 5).

### Payments

You must pay electronically if your tax liability was more than \$10,000 for any one Minnesota business tax during the previous fiscal year (July 1 – June 30).

If you are required to pay any Minnesota business tax electronically for one year, you must pay all Minnesota business taxes electronically for all future years. We will send you a notice the first year you are required to pay electronically.

We will assess a 5% payment method penalty on any non-electronic payments if you do not pay electronically when required.

## Filing Due Date

### Annual Return

The regular due date to file your annual Wholesale Drug Distributor Tax Return and pay any additional tax due for the previous calendar year is March 15.

You must file a return even if there is no additional tax due. If March 15 falls on a weekend or holiday, returns filed the next business day are considered timely.

### Extension of Time to File

If you cannot file your return by the regular due date, you may request a 60-day filing extension. To request an extension for your 2025 return, call 651-282-5533 no later than March 16, 2026.

A filing extension does not extend the time you have to pay your tax. You must pay any tax you owe by March 16 or we will assess penalties and interest. To pay electronically, go to our website and log in to e-Services.

## Estimated Tax Payments

You must make estimated tax payments for the year if your total annual Wholesale Drug Distributor Tax was more than \$500 for the previous year and will be more than \$500 for the current year.

If you are not required to make estimated tax payments for the year, you may pay your tax annually when you file your return. You must pay all tax owed by March 16.

### Due Dates

Estimated tax payments are due quarterly by April 15, July 15, and October 15 of the current year and January 15 of the following year.

If a due date falls on a weekend or holiday, payments electronically made or postmarked the next business day are considered timely.

## How to Calculate Your Estimated Tax Payments

You must calculate your quarterly estimated tax payments using either:

- 90% of your tax for the current year
- 100% of your tax for the previous year

You may choose the smaller of these amounts and divide it by four to get the **minimum** estimated tax payment you must pay for each quarter.

## General Information (continued)

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For help making this calculation and for examples, use the *MinnesotaCare Estimated Tax Instructions* for Wholesale Drug Distributor Tax available on our website.

### Additional Charge for Underpaid Estimated Tax

If any estimated tax payment is paid late or is less than the required amount, we will assess an additional charge. Our e-Services system will calculate any additional charge when you file your annual return.

**Note:** To avoid the additional charge, your best option is to calculate estimated tax payments based on your tax for the previous year. By doing this, you may pay more than the minimum estimated tax payment required each quarter, but you will avoid the additional charge. Any amount you overpay will be refunded to you when you file your annual return.

### Reporting Business Changes

Be sure to update your business information if any of these apply:

- You changed the name, address, owner/officers, or ownership of your business
- You changed contact information (such as email address, phone number, or contact person)
- You need to add or close a tax account
- You closed your business
- You are no longer required to file and pay the tax

To update your business information, go to our website and log in to e-Services. For more information, refer to *Manage Your Profile in e-Services* on Page 7.

### Recordkeeping

Keep all internal accounting records and external third-party documentation that support the amounts reported on your Wholesale Drug Distributor Tax Return.

This includes any paper records and any records you receive or store electronically. Some examples of paper and electronic records include:

- Legend drug sales invoices
- Audited and compiled financial statements
- All other summary and detail reports, schedules, ledgers, and journals
- Computer system or software back-ups
- Rebate Contracts

If you are audited, you will need to provide four to six years of records. All documentation must be made available for the department to review. Exempt sales may be denied if your documentation is incomplete.

### Statute of Limitations

The department may audit your return within 3½ years from the due date of the return or the date you filed the return, whichever is later. If there is an error in the amount of tax you reported, and the difference between the original amount and the correct amount is 25% or more, we have 6½ years to audit the return. There is no time limit if we find you have filed a false or fraudulent return, or if you have not filed a return.

### Electronic Payment Options

#### e-Services

You can make payments using our online e-Services system. You will need your bank routing and account numbers. You cannot use a foreign bank account. Go to our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and log in to e-Services.

To be timely, you must submit your payment and receive a confirmation number on or before the payment due date. If you pay through e-Services, you can view a record of your payments online once they have processed.

#### Credit or Debit Card

For a fee, you can use your credit or debit card to make a payment. The department uses a third-party vendor to process credit and debit card payments. For more information on how to pay with a card, go to our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and select **Make a Payment**. Then, select **Credit or Debit Card**.

#### Automated Clearing House (ACH) Credit

ACH credit payments are initiated by you through your bank. You authorize your bank to transfer funds to the state's bank account. The bank must use ACH file formats, which are available on our website. Your bank may charge you a fee for these payments.

#### Bank Wire

You can authorize a direct transfer from your bank account to the department. For information on how to make a bank wire transfer, call us at 651-556-3003 or 1-800-657-3909.

# How to File Your Annual Return

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***Your 2025 MinnesotaCare Wholesale Drug Distributor Tax Return is due March 16, 2026.***

***File your return using our e-Services system starting January 22, 2026.***

## Information You Need to File Your Return

You must file your Wholesale Drug Distributor Tax Return electronically using our e-Services system. Go to our website at **www.revenue.state.mn.us** to log in to e-Services. Before you can file your return, you need this information:

- Your username and password
- Dates and amounts of any estimated tax payments you made for the year
- The amounts you are reporting on your return (refer to the *Line Instructions* on this page for help calculating these amounts)
- Your bank routing and account numbers (if you are making a payment with your return)

**You must have a Wholesale Drug Distributor Tax account to file a return.** To add an account, log in to e-Services or contact Business Registration (refer to *Contact Us* on Page 1).

If you have an account, but the period you are filing is not listed in e-Services, call the MinnesotaCare Taxes Unit at 651-282-5533 so we can add it to your account.

## Line Instructions

Use this information when you electronically file your return.

### Gross Receipts from Legend Drug Sales

Report the total amount you received during the year from the wholesale sale or distribution of legend drugs in Minnesota.

Some common examples of wholesale sales or distributions include those to:

- Health care providers, hospitals, surgical centers, and pharmacies in Minnesota who use the drugs in treating patients
- Buyers in Minnesota who sell the drugs at retail
- Buyers in Minnesota who sell some of the drugs at wholesale and some of the drugs at retail

**Include** in gross receipts any amounts received as charges associated with the sale or distribution of the legend drugs, including:

- MinnesotaCare tax expense charges
- Rental charges
- Shipping/handling charges
- Up charges

**Do not include** in gross receipts:

- Amounts received from the sale or distribution of legend drugs in Minnesota to a wholesale drug distributor who sells or distributes legend drugs exclusively at wholesale
- Refunds paid to buyers in Minnesota for legend drugs returned to you during the year
- Payments related to certain rebates received prior to June 30, 2025.

For the definition of legend drugs, refer to Page 3.

**Sales or Distributions to Related Entities.** If you sell or distribute legend drugs to a related corporate entity in Minnesota (such as to pharmacies you own in Minnesota), report the total price you paid for the legend drugs.

### Exemption for Legend Drug Sales to Veterinarians

Of your gross receipts, report the amount received from the wholesale sale or distribution of legend drugs to veterinarians or veterinary bulk purchasing organizations.

## Tax

Our e-Services system will calculate your tax. The tax rate for 2025 is 1.8%.

### Estimated Tax Payments

Any estimated tax payments you made for the year will be applied to your return. You will be asked to review the payments in e-Services when filing your return. If there are discrepancies between the payments in e-Services and your records, please contact us.

## Penalties and Interest

### Late Payment Penalty

We will assess late payment penalty on any tax that is not paid by March 16. The penalty is 5% of the unpaid tax for every 30-day period (or part of a 30-day period) that your tax is not paid in full, up to 15%.

# How to File Your Annual Return (continued)

## Claiming the Small Seller Exception for Remote Sellers

Remote sellers that sell or distribute legend drugs at wholesale into Minnesota without having physical presence (nexus) in the state may qualify for the Small Seller Exception. To qualify for the Small Seller Exception, you must meet **both** of these requirements for a calendar year:

- Less than 200 legend drug sales, deliveries, or distributions into Minnesota
- \$100,000 or less in gross receipts from the sale, delivery, or distribution of legend drugs into Minnesota

If you qualify for the Small Seller Exception for 2025 and are currently registered for Wholesale Drug Distributor Tax, you must notify us by March 16, 2026, using our online e-Services system.

To notify us, follow these steps:

1. Log in to e-Services.
2. Select **Returns and Periods** for your Wholesale Drug Distributor Tax account.
3. Select **File Return** for the 2025 period.
4. Review any payments you made for the year.
5. Confirm if you qualify for the Small Seller Exception.
6. If you qualify, enter the total:
  - Number of legend drug sales you made into Minnesota for the year
  - Gross receipts you received from legend drug sales into Minnesota for the year
7. Follow the prompts to submit a return reporting zero tax.

The return you submit serves as your Small Seller Exception notification for the year.

If you qualify for the Small Seller Exception but the screen to confirm the exception is not available on your annual return in e-Services, contact us at 651-282-5533 or [MinnesotaCare.tax@state.mn.us](mailto:MinnesotaCare.tax@state.mn.us). We will update your e-Services account to include the screen on your return.

For more information on the Small Seller Exception for remote sellers, go to our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and enter **MinnesotaCare Remote Sellers** in the Search box.

## Late Filing Penalty

We will assess late filing penalty for filing your return after March 16. The penalty is 5% of any unpaid tax.

## Extended Delinquency Penalty

If the department sends a written demand to file a tax return and the return is not filed within 30 days, we will assess an extended delinquency penalty. The penalty is 5% of any unpaid tax or \$100, whichever is greater.

This penalty is in addition to any late filing penalty. It applies to all unfiled returns, even if you paid the correct amount of tax on time or if you do not have a tax liability.

## Payment Method Penalty

If you are required to make your tax payments electronically and do not, we will assess a 5% penalty on any non-electronic payments (such as paper checks or money orders).

## Interest

We charge interest on unpaid tax and penalties from the date the tax is past due until it is paid in full. The interest rate is determined each year.

The interest rate for 2025 is 8% and the interest rate for 2026 is 7%.

## Paying the Balance Due

If you owe additional tax, you can use e-Services to pay at the same time you file your return. You will need your bank routing and account numbers.

If you pay through e-Services, you can view a record of your payments online once they have processed.

If you want to pay electronically another way, refer to the additional payment options starting on Page 4.

# How to Amend Your Return

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To adjust your return, you must file an amended return electronically using our e-Services system.

To claim a refund, you must file your amended return within 3½ years of the regular due date for the year you are amending.

Keep all supporting documentation for any amended return you file. All documentation should be made available on request for the department to review. All amended returns are subject to audit.

## Filing Instructions

To amend a return, follow these steps:

1. Go to our website at **www.revenue.state.mn.us** and log in to e-Services.
2. Select **Returns and Periods** for your Wholesale Drug Distributor Tax account.
3. Select **View or Change Return** for the return you want to amend.
4. Select **Change** on the return screen.
5. Enter your corrected amounts, contact information, and the reason you are amending the return.
6. Follow the remaining prompts and select **Submit**.

You will receive a confirmation number if your amended return is filed successfully. If you need help or have questions about amending a return, please contact us.

## Manage Your Profile in e-Services

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Our e-Services system lets you:

- Update your profile information
- Store your email address, phone number, and banking information
- Create access to your and other people's accounts
- Add additional users with varying security, as well as request and approve third-party access

## Set Up and Manage Users

### Access Types

There are two access types to choose from in e-Services:

- **e-Services Masters** can view, file returns, and/or make payments for one or more accounts. They can add, delete, and change security levels for all users.
- **Account Managers** can view, file returns, and/or make payments for one or more accounts depending on the access level an e-Services Master has set up for the user.

### Access Levels

e-Services access level options include:

- **All Access** - allows user to view all information, file returns, make payments, and update account information
- **File** - allows user to view all information and file returns
- **Pay** - allows user to view all information and make payments
- **View** - allows user to only view all information

## Two-Step Verification

Two-step verification adds a second layer of security to prevent unauthorized access to your account. You must enter a username, password, and a verification code we send you to log in to your account.

## Third-Party Access

Third-party access provides a secure and convenient way for users to manage accounts, file returns, and/or make payments for other businesses.

Both parties must work together to establish this access. First, a user must request third-party access from a customer in e-Services. Second, the customer must approve or deny the access request in e-Services.

For more information, go to our website at **www.revenue.state.mn.us** and enter **Third-Party Access** in the Search box.