



# Sales and Use Tax for Manufacturers Webinar

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 **DEPARTMENT  
OF REVENUE**  
Minnesota Business Tax Education

February 2026

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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](mailto: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.*

# Course Objectives

As a result of this training, you'll be able to:

- Recognize when you owe sales and use taxes
- Differentiate between the industrial production process and the integrated production process
- Identify the exemptions available to manufacturers
- Analyze how the use of an item affects its eligibility for exemption
- Apply correct procedures for using and accepting exemption certificates
- Evaluate transactions to determine when tax has been paid in error and outline the steps to request a refund
- Locate resources available to help answer your sales and use tax questions



## Part 1

## Sales Tax vs. Use Tax

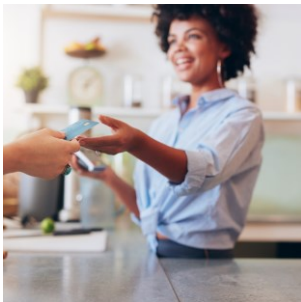
### Sales Tax

- Applies to retail **sales** in Minnesota unless an exemption exists
- Collected and remitted by the seller

### Use Tax

- Applies to taxable **purchases** when all applicable taxes were not charged
- Self-assessed
- Paid directly to the state

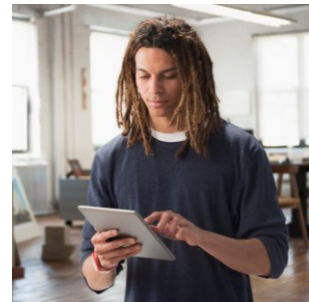
## General Sourcing Rules



1. Seller's Address



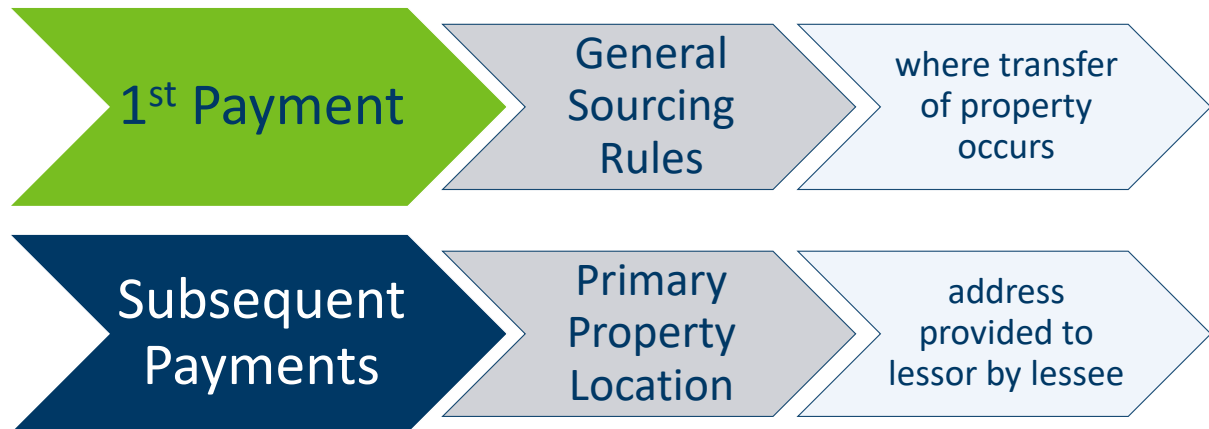
2. Delivery Address



3. Billing Address

[M.S. 297A.668, subd. 2](#)

## Sourcing Rules for Leases or Rentals of TPP



## Operating Lease vs. Capital Lease

Characteristics	Operating Lease ( <i>Rental Agreement</i> )	Capital Lease ( <i>Financing Agreement</i> )
What is being transferred?	Transfer of possession only; not title	Transfer of title upon possession or at the end of the lease agreement
Who owns property at the end of the lease?	Lessor owns property but lessee generally has a buy-out option	The customer is required to buy the item at the end of the lease agreement
When is tax charged?	Sales tax applied to each lease payment	Sales tax is due up front, when the contract is signed

## When is Labor Taxed?

Types of Labor	Examples	Is it taxable?
Repair labor	<ul style="list-style-type: none"> <li>• Car repair</li> <li>• Equipment repair</li> <li>• Calibrating equipment</li> <li>• Sharpening tools</li> </ul>	No (if separately stated)
Construction labor	<ul style="list-style-type: none"> <li>• Build an office building</li> <li>• Kitchen remodel</li> </ul>	No
Fabrication labor	<ul style="list-style-type: none"> <li>• Custom sawing</li> <li>• Bending sheet metal</li> </ul>	Yes
Installation labor	<ul style="list-style-type: none"> <li>• Computer equipment</li> <li>• Modular furniture</li> </ul>	Yes

[Labor – Installation, Fabrication, Construction, and Repair Publication](#)

## Are maintenance contracts for equipment taxed?

Types of contract	Is the contract taxable?
Optional maintenance contracts (bundled – one nonitemized price)	Yes
Optional maintenance contracts (unbundled – separate itemized prices)	No

If the equipment qualifies for the capital equipment exemption, the maintenance contract is also exempt

## How are extended warranty contracts taxed?

If the warranty states:	Then:
No cost to the customer for parts	The service provider pays sales or use tax on their cost of the parts
The customer is responsible for a percentage of parts and labor	The customer pays sales or use tax on the amount for parts only
The customer pays a deductible for parts or labor	The service provider pays sales or use tax on their cost of the parts. The deductible payment is not taxable.

[Revenue Notice 16-03](#)

## Maintenance Agreements for Prewritten Software

Details of agreement	Taxability of agreement
Required by vendor	The entire charge is taxable
Optional and includes only upgrades and enhancements	The entire charge is taxable
Optional and includes support services only	Not taxable
Optional and includes upgrades, enhancements, and support services	20% of the charge is taxable



## Part 2

### Who qualifies for the industrial production exemption?

- Crafters
- Fabricators
- Miners
- Paper mills
- Refiners

# The Industrial Production Process vs. The Integrated Production Process

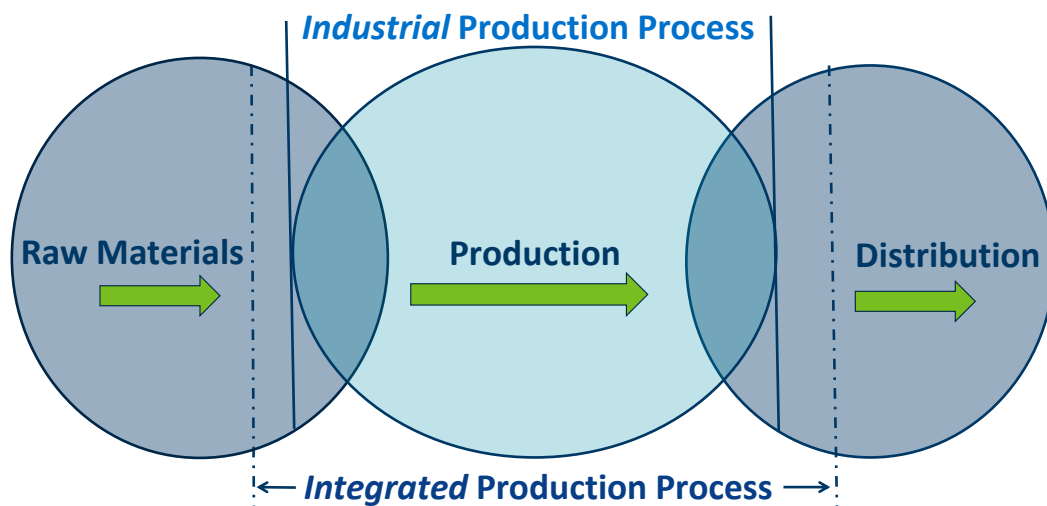
## Industrial Production Process

- The process of taking raw materials out of inventory and creating a product intended to be sold ultimately at retail
- Items qualify for the Industrial Production Exemption

## Integrated Production Process

- Involves a series of activities that result in making a product intended to be sold ultimately at retail
- Items qualify for the Capital Equipment Exemption

## Production Flow





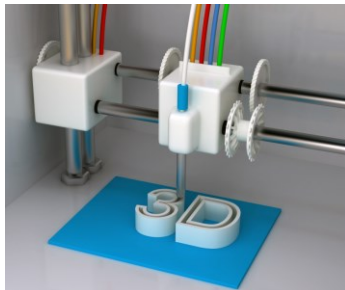
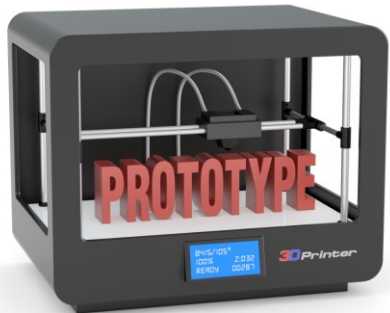
## Part 3

### Research & Development (R & D)

- Items used or consumed in R & D activities
- Purchases of prototypes or materials used to make prototypes
- Machinery, equipment, and tools used primarily in R & D activities



3D CAD Design Engineering Software



Consumable materials used to create your prototype on a 3D printer.

## Something to think about ...

What items do you use in R&D activities that may qualify for an exemption?

## Managing Raw Materials

- Taxable purchases include items used to:
  - Receive raw materials
  - Store or preserve raw materials before the production process begins
  - Facilitate loading, unloading, handling, transportation or storage of products before the manufacturing process begins
- Exempt purchases include:
  - Component parts and ingredients of a product (inventory)



## Something to think about ...

Do you have any equipment you use to manage raw materials inventory at your facility that does not qualify for the capital equipment exemption?

## Something to think about ...

Do you have items consumed in raw materials inventory that you should verify that you are not claiming the industrial production exemption?



## Part 4

### Where does the production activity begin?

The production activity begins with the removal of raw materials from inventory.

This is true for both the:

- Integrated production process and
- Industrial production process

## What exemptions are available during production?

- Industrial production exemption ([M.S. 297A.68, Subd. 2](#))
  - Items used or consumed in production
  - Utilities
  - Product packaging
  - Separate detachable units
- Capital equipment exemption ([M.S. 297A.68, Subd. 5](#))
- Special tooling exemption ([M.S. 297A.68, Subd. 6](#))

## Utilities



[Utilities Used in Production Publication](#)

# Propane and Industrial Gases



# Petroleum Products and Lubricants



## Materials that Directly Affect the Product



## Other Items Consumed in Production

- Chemicals used or consumed in production
- Materials used for the original painting and cleaning of products
- Materials used one time in production, not consumed, but discarded after one use

## Separate Detachable Units

1. Accessory tool, equipment, or short-lived item that attaches to a machine while in use
2. Used in producing a direct effect on the product
3. Useful life is less than twelve months



[Industrial Production Publication](#)

## Special Tooling Exemption

- Special tools have value and use only for the buyer and use for which they are made
- Examples include custom-made dies, jigs, patterns, and gauges
- Materials purchased to make your own special tooling are taxable because materials are not “special tools”

## Something to think about ...

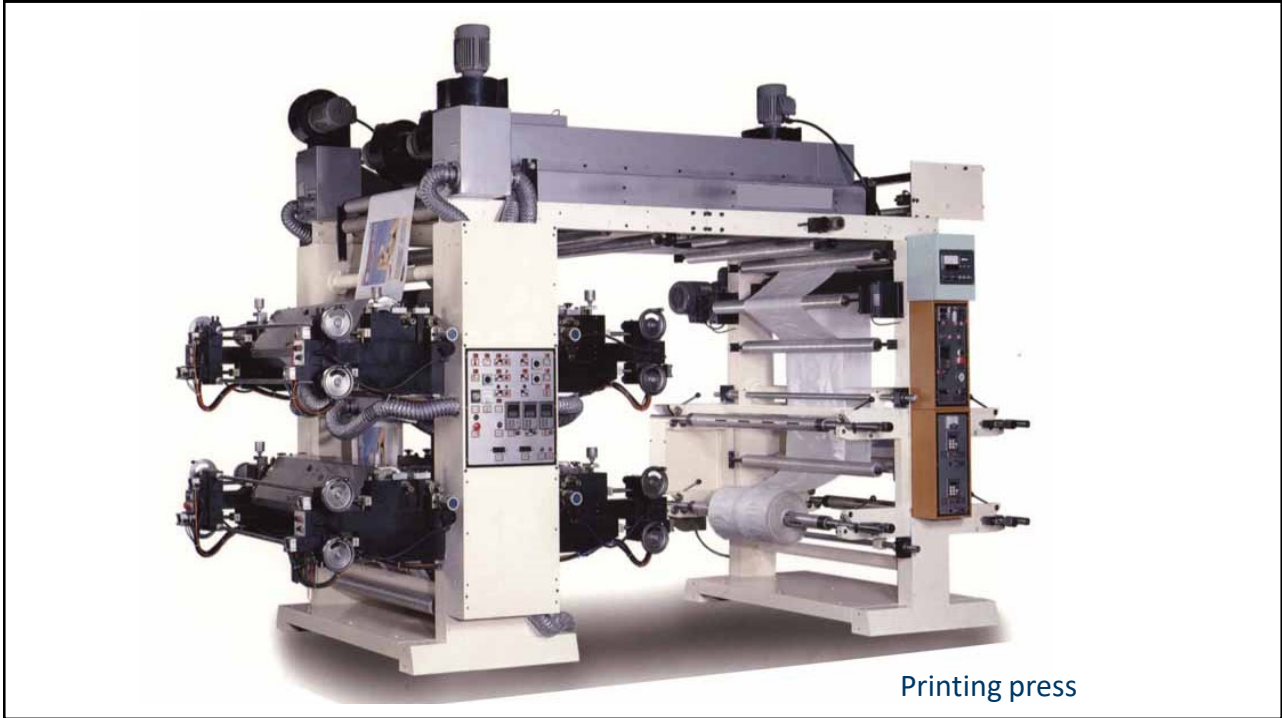
What equipment do you have that may qualify for the special tooling exemption?

## Capital Equipment Exemption

Exempt purchases include equipment and machinery that

- Are essential to producing the product
- Perform an indispensable phase/stage in production
- Are used in Minnesota
- Are used at least 50% of the time in production
- Produce a product ultimately sold at retail

**Regulatory Equipment ≠ Essential Equipment**



Printing press



Laser cutter



Plastic injection molding machine



Metal lathe



Turn-key line machine

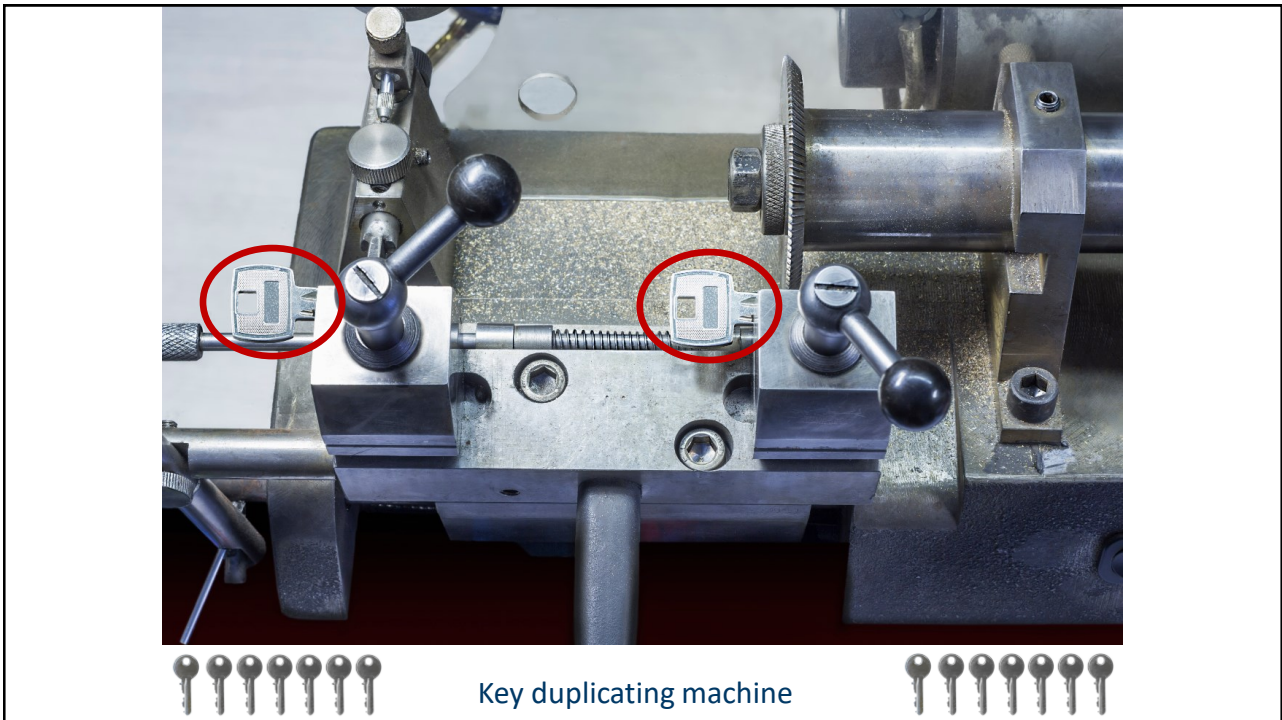


Food processing equipment



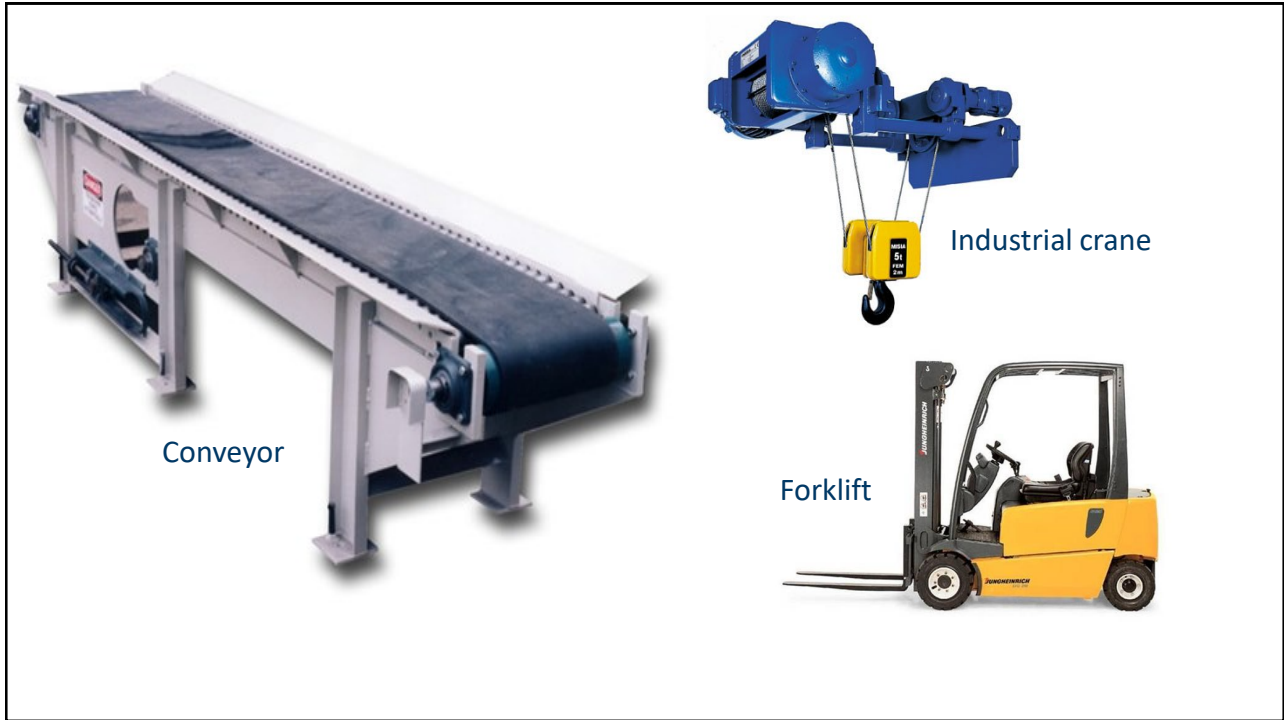


Meat slicer



Key duplicating machine





Conveyor

Industrial crane

Forklift

## What does not qualify as Capital Equipment?

Motor vehicles licensed for road use



except for



Ready-mixed concrete trucks

[Revenue Notice 00-08](#)

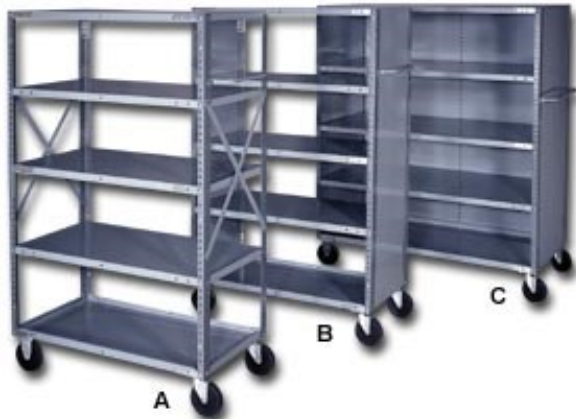


Air Purification System for the Textile Industry

**Caution:** Regulatory equipment that does not have a direct effect on the product is taxable

Capital Equipment  $\neq$  Capital Assets

## Storing Work-in-Progress



Industrial shelving used to store work-in-progress

## Storing Work-in-Progress



Reusable items used for handling or moving materials through production

## Something to think about ...

Do you have any items you use at your facility to store work-in-progress that may qualify for an exemption?

## Outside Fabrication Labor

Outsourced fabrication services that are essential to producing a product may qualify for exemption if specific criteria are met.

- Consumable and inventory items
- Equipment and machinery (Used by the Purchaser - [Capital Equipment Publication](#))
- Special tooling

## Something to think about ...

Does your company subcontract with another business to perform fabrication labor for you?

If you do, are there any items you can claim an exemption for that are used at their plant?

## Quality Control and Product Testing



Calipers used to measure thickness of an item



Laboratory equipment and supplies



Disposable lab testing supplies

Disposable latex and vinyl gloves (suitable for general use)

[Clothing Publication](#)

Equipment that performs a quality control function and has a direct effect on the product is exempt.



Dust Collector  
(Vacuum)

Something to think about ...

Do you have any items used in quality control that may qualify for an exemption?

## Special Purpose Buildings

- A structure within the integrated production process
- Serve or perform a function essential to the production process, and
- Used in producing products intended to be sold ultimately at retail

[Revenue Notice 97-04](#)





Paint booth

## Internal Product Packaging

Nonreturnable packaging materials that

- Form or shape
- Protect
- Stabilize



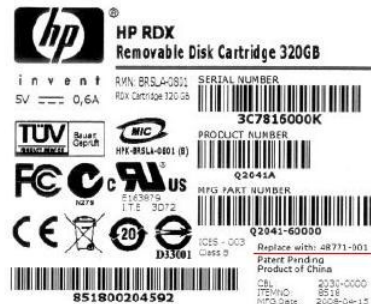
# Product Information Materials

- Content lists
- Instruction sheets
- Material safety data sheets
- Owner's manuals
- Warranty cards



# Product Labels

- Product identification labels
- Expiration date labels



# Where does the production process end?

## Industrial Production Process

The process ends with the placement of the product in finished goods inventory

vs.

## Integrated Production Process

The process ends when the last process prior to loading for shipment has been completed



Part 5

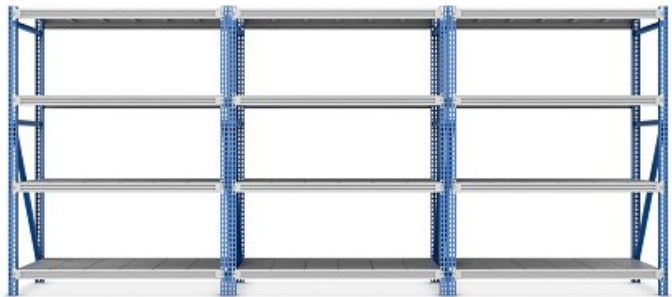
# Finished Goods Inventory (or Warehousing)

## Taxable Purchases

- Items used primarily to facilitate loading, unloading, handling, transportation, or storage of products **after** the manufacturing process ends
- Fuel to operate the equipment **after** the industrial production process ends



Industrial shelving used in finished goods inventory does NOT qualify



## Maintaining Conditions for Finished Goods

### Exempt purchases

Equipment used to maintain conditions in finished goods

### Taxable purchases

Utilities used in the equipment that maintains the conditions in finished goods

### Something to think about ...

Do you have any items used in finished goods inventory that may qualify for the capital equipment exemption?

## Something to think about ...

Are there items consumed in finished goods inventory that you should verify that you are not claiming the industrial production exemption on?

## Disposal of Scrap

- Disposal of scrap is outside the production process.
- The equipment, machinery, and other items used to dispose of the scrap is taxable unless the scrap is:
  - Reused in the production process (i.e., “closed-loop system”)
  - Used to make a different product that is ultimately sold at retail

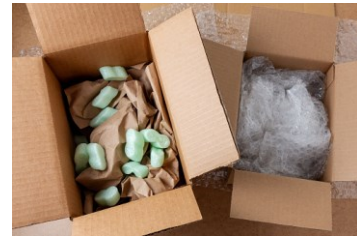
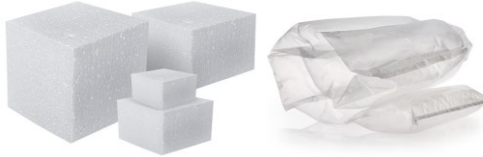
## Something to think about ...

Have you incorrectly claimed the capital equipment exemption on any equipment and machinery used to dispose of scrap and waste?

## Something to think about ...

Are there any circumstances in your production process where equipment used to dispose of scrap qualifies for the capital equipment exemption?

# Shipping and Distribution Exempt Purchases



# Shipping and Distribution – Equipment and Supplies





## Shipping and Distribution – Returnable Items

Taxable purchases include:

- Returnable containers and packaging  
(except for food manufacturers)
  - Barrels and drums
  - Bottles
  - Boxes and cans
  - Gas cylinders and tanks
  - Sacks
- Returnable skids and pallets





## Shipping and Distribution – Warning Labels

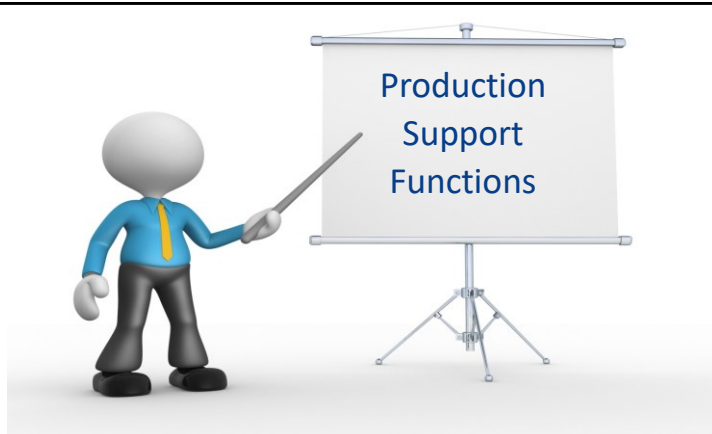


**DO NOT STACK**



### Something to think about ...

Are there items you buy from your vendors without sales tax that are used in shipping and distribution that you need to accrue use tax on?



## Part 6

### Tool Room Operations

#### Exempt purchases

Equipment, machinery, and tools used to construct, maintain, and repair qualifying capital equipment

#### Taxable purchases

Items used or consumed in these activities do not qualify for the industrial production exemption



## Production Administrative Support

Taxable purchases include items used for:

- Internal product and production tracking
- Inventory management
- Production analysis

# Protective and Safety Items

Taxable purchases include items used for:

- Protective equipment
- Clean room apparel and equipment  
(reusable and disposable)



[Clothing Publication](#)

## Fire Prevention, First Aid, and Hospital Stations



[Detective and Security Services Publication](#)

## General Heating, Cooling, and Lighting

Taxable purchases include utilities used to:

- Heat the manufacturing facility in the winter
- Cool the plant in the summer
- Provide overhead lighting on the production floor

## Something to think about ...

Did you include general heating, cooling, and lighting in your utility exemption percentage?

## Pollution Control, Prevention, and Abatement

Items that do not qualify for exemption include:

- Dust collections systems
- Emission control systems
- Welding ventilation systems

## Waste Treatment

### Exempt purchases

- Chemicals
- Materials
- Supplies

### Taxable purchases

- Equipment
- Machinery

## Something to think about ...

Are there items consumed in treating waste that you should verify that you are claiming the industrial production exemption?



## Part 7

### General Administrative Activities

Examples of administrative activities include:

- Customer service activities
- General office administration
- Managerial functions



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## Building Cleaning and Maintenance

### Taxable purchases:

- Chemicals and cleaning agents used to clean:
  - Production tools and equipment (except food processing equipment)
  - Areas around food processing equipment
  - Buildings and other structures
- Janitorial cleaning materials and services
- Materials used to construct or remodel real property



## Communications

Taxable purchases:

- PA systems
- Telecommunications equipment and services
- Two-way radios

## Sales Operations

### Taxable purchases:

- Business cards
- Coffee mugs, key chains, and pens
- Order forms
- Point of sale displays

## Security

### Taxable purchases:

- Employee security services
- Plant security
- Security access equipment and badges
- Security system maintenance and monitoring



## Part 8

### Do you need an exemption certificate?

All sales of tangible personal property and taxable services are taxable unless:

- The item is exempt by Minnesota Statutes, or
- The purchaser provides the seller with a completed exemption certificate

## Use-based exemptions

The following are examples of **use-based** exemptions:

- Capital equipment
- Industrial production
- Utilities used in production

## 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

## Required Elements for Exemption Certificates

Name of Purchaser <b>Bluth Company</b>			
Business Address <b>123 First Avenue</b>		City <b>Minneapolis</b>	State ZIP code <b>MN 55404</b>
Purchaser's Tax ID Number <b>6480123</b> Minnesota			
If no tax ID number, Enter one of the following: FEIN		Driver's license number/State issued ID number State of issue Number	
Name of seller from whom you are purchasing, leasing, or renting <b>XYZ Supply Company</b>			
Seller's Address <b>987 University Avenue</b>		City <b>St. Paul</b>	State ZIP code <b>MN 55101</b>
<b>Type of Business</b>			
<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 checked="" 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 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)		
<b>Reason for Exemption (See instructions)</b>			
<input type="checkbox"/> A Federal government (department)	<input type="checkbox"/> J Agricultural production		
<input type="checkbox"/> B Specific government exemption	<input checked="" 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 checked="" 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) % <b>95</b>		
<small>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.)</small>			
Signature of Authorized Purchaser <b>John Jones</b>		Print Name Here <b>John Jones</b>	Title <b>Purch. Agent</b>
		Date <b>07/15/2022</b>	

- Purchaser's name and address
- Purchaser's Minnesota tax ID number
- Purchaser's type of business
- Reason for exemption
- Purchaser's signature (unless entered in an online order form or shopping cart)

## Other Fields on the Exemption Certificate

<b>DEPARTMENT OF REVENUE</b>			
<b>Form ST3, Certificate of Exemption</b>			
Purchaser: Complete this certificate and give it to the seller.			
Seller: If this certificate is not completed, you must charge sales tax. Keep this certificate as part of your records. This is a blanket certificate, unless one of the boxes below is checked. This certificate remains in force as long as the purchaser continues making purchases or until otherwise cancelled by the purchaser.			
<input type="checkbox"/> Check if this certificate is for a single purchase and enter the related invoice/purchase order #			
<input type="checkbox"/> If you are a contractor and have a purchasing agent agreement with an exempt organization, check the box to make purchases for a specific job. Enter the exempt entity name and specific project.			
Exempt entity name		Project description	
Name of Purchaser <b>Bluth Company</b>			
Business Address <b>123 First Avenue</b>		City <b>Minneapolis</b>	State ZIP code <b>MN 55404</b>
Purchaser's Tax ID Number <b>6480123</b> Minnesota			
If no tax ID number, Enter one of the following: FEIN		Driver's license number/State issued ID number State of issue Number	
Name of seller from whom you are purchasing, leasing, or renting <b>ABC Wholesale</b>			
Seller's Address <b>987 University Avenue</b>		City <b>St. Paul</b>	State ZIP code <b>MN 55101</b>

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

## 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

## Seller's Responsibilities

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



## Part 9

## Review Your Records



# How far back can you request a refund?

Sales tax paid to a vendor in error – 3½ years from the 20<sup>th</sup> day of the month following the purchase invoice date

Use tax paid in error – 3½ years from the original tax return due date

Exceptions:

- Paid audit assessment
- Signed Consent to Extend Statute



## Form ST11

- Purchaser Refund
  - Sales tax paid in error to a vendor

m DEPARTMENT OF REVENUE		ST11	
Sales and Use Tax Refund Request			
Business name		Minnesota tax ID	
Address		Period covered by this request	
City		From	Through
Main business address in Minnesota (if different from above)		State	ZIP code
City		State	ZIP code
Name of person to contact about this request		Title	Phone
		Email	
<b>Type of refund request you are filing (select all that apply):</b>			
<input checked="" type="checkbox"/> Sales tax paid in error to a vendor			
<input type="checkbox"/> Construction exemptions for special projects under M.S. 297A.71. Project Type from statute _____			
<input type="checkbox"/> Greater Minnesota Job Expansion			
<input type="checkbox"/> Qualified Data Center			
<b>Worksheet</b>			
Create and attach a supporting worksheet for each type of request. Sales tax, use tax and all local taxes need to be separated by local taxing district on each worksheet. See instructions.			
<b>Describe your business and the reason for your request.</b>			
<b>Refund Amount Requested</b> .....			
The application must include sufficient information to permit the commissioner to verify the tax paid. 297A.75 Subd. 3a.			
<b>Sign Here</b>			
A request for refund filed by a corporation must bear the original signatures and titles of the officers having the authority to sign for the corporation.			
I declare under the penalties of criminal liability for willfully making a false claim that this claim has been examined, and, to the best of my (our) knowledge and belief, is true and complete.			
Signature of taxpayer or authorized representative		Title	Date
Preparer signature		Preparer Minnesota tax ID number	Date
		Preparer Phone	
<b>Send Form ST11, your worksheet(s), and supporting documents:</b>			
Mail: Minnesota Department of Revenue Mail Station 6230 600 N. Robert Street St. Paul, MN 55146-6330			
Email: <a href="mailto:salesuse.claim@tppr.mn.us">salesuse.claim@tppr.mn.us</a>			

# Sample Worksheet for a Purchaser Refund

Sample Purchaser Refund Worksheet

Invoice Date	Invoice Number	Vendor Name	Item Purchased	Month/Year Tax was Paid	Purchase Price Paid	Specify Sales or Use Tax	Total Tax Paid	MN Tax - General Rate (6.875%)	City Tax - Rochester (0.75%)	County Tax - Olmsted Co. (0.50%)	Reason for Request
1/17/2022	7050	Office Headquarters	Labels	01/22	\$975.00	Sales	\$79.22	\$67.03	\$7.31	\$4.88	Become part of product
1/25/2022	186286	Builders Supply	Propane	02/22	\$990.00	Sales	\$80.44	\$68.06	\$7.43	\$4.95	For WIP Forklift
2/22/2022	14876412	Builders Supply	Argon	03/22	\$550.00	Sales	\$44.69	\$37.81	\$4.13	\$2.75	Industrial gas used in production
3/14/22	1372	Techno, Inc.	Computer	03/22	\$1,799.00	Sales	\$146.17	\$123.68	\$13.49	\$9.00	Used in R & D
3/25/22	186286	Tools To Go	Lathe	04/22	\$34,348.00	Sales	\$2,790.78	\$2,361.43	\$257.61	\$171.74	Shapes molds
4/21/2022	3292	GLE Energy	Electricity	05/22	\$675.00	Sales	\$54.84	\$46.41	\$5.06	\$3.38	Meter #3 - production equipment electricity (utility study attached)
5/5/2022	3289	GLE Energy	Electricity	06/22	\$790.00	Sales	\$64.19	\$54.31	\$5.93	\$3.95	Meter #4 - production equipment electricity (utility study attached)
5/7/22	35065	Grinders Plus	Grinder	06/22	\$2,920.00	Sales	\$237.25	\$200.75	\$21.90	\$14.60	Grinds molds and smooths plastic products
5/9/22	3292	Engineering Tool Specialists	Scoring Machine	06/22	\$3,050.00	Sales	\$247.81	\$209.69	\$22.88	\$15.25	Prototype scoring machine
5/23/22	3289	Engineering Tool Specialists	Machine Components	06/22	\$13,850.00	Sales	\$1,125.31	\$952.19	\$103.88	\$69.25	Parts for prototype scoring machine used to manufacture new product
6/13/22	990207	Safety Products Inc.	Lab Hood	07/22	\$2,796.50	Sales	\$227.22	\$192.26	\$20.97	\$13.98	Used in r/d for new plastics
12/28/2022	30607	Office Headquarters	Bubble Wrap	01/23	\$223.00	Sales	\$18.12	\$15.33	\$1.67	\$1.12	Packaging
12/28/2022	1371	Office Headquarters	Packaging Peanuts	01/23	\$342.00	Sales	\$27.79	\$23.51	\$2.57	\$1.71	Packaging
2/18/2023	1372	Techno, Inc.	Dies	03/23	\$1,799.00	Sales	\$146.17	\$123.68	\$13.49	\$9.00	Separate detachable units
2/22/2023	13399	Builders Supply	Drill Bits	03/23	\$1,242.00	Sales	\$100.91	\$85.39	\$9.32	\$6.21	Separate detachable units
6/21/2023	13337	Builders Supply	Jigs	07/23	\$564.00	Sales	\$45.83	\$38.78	\$4.23	\$2.92	Separate detachable units
7/17/2023	13338	Builders Supply	Welding Gas	08/23	\$463.00	Sales	\$37.62	\$31.83	\$3.47	\$2.32	Industrial gas used in production
8/27/2023	54895240	Pallet Land	Pallets	09/23	\$10,000.00	Sales	\$812.50	\$687.50	\$75.00	\$50.00	Non-returnable packaging
					\$77,376.50		\$6,286.84	\$5,319.63	\$580.32	\$386.88	

**Notes:**

- 1 Sales or Use Tax** - sales tax is paid to your supplier; use tax is reported and paid by you on your Sales and Use Tax Return.
- 2 Month Paid** - for sales tax record the month and year your supplier receive payment; for use tax, record the month and year you remitted the tax to the Minnesota Department of Revenue.
- 3 Description of Use or Type of Replacement Equipment** - you must clearly state how the equipment or machinery being claimed is used, or for replacement equipment, you must state the type of purchase for which you are claiming the refund.

**Other Areas to Note:**

- A** If the purchase involves a lease, you must still provide a copy of the lease with your request for refund and an invoice.
- B** The department reserves the right to request additional information as needed during the review of the refund request to verify the accuracy of the amount(s) claimed.

## Amending a Return

### Common reasons for amending 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




# How do you amend a return?

Number of periods	Process to file the amended return
One	Adjust your return in e-Services
Multiple	Send Form ST11-MPA with a worksheet detailing the adjustment for each period

## Form ST11-MPA

- Multi-Period Amended Return
  - Sales tax paid in error on your returns
  - Sales tax due on your returns
  - Use tax paid in error on your returns
  - Use tax due on your returns
- Request for Sales and Use Tax Paid on Audited Periods
  - Date audit was paid
  - Was the audit paid in full?


DEPARTMENT OF REVENUE
ST11-MPA

### Sales and Use Tax Multiple Period Amended Return

Business name		Minnesota Tax ID number	
Mailing address		Period covered by this request	
City		From	Through
Main business address in Minnesota (if different from above)		State	ZIP code
City		State	ZIP code
Name of person to contact about this request		Title	Phone
		Email	

**Type of request you are filing (select all that apply):**

Multiple Period Amended Return

Sales tax paid in error on your returns

Sales tax due on your returns

Use tax paid in error on your returns

Use tax due on your returns

Request for Sales and Use Tax Paid on Audited Periods

This form is not to be used if new information is being provided. This form is not to be used in place of the appeals process.

Date audit was paid \_\_\_\_\_ Was the audit assessment paid in full?  Yes  No

**You must attach the Minnesota Department of Revenue Tax Order, Form ST310C, Explanation of Adjustments, and all audit schedules and exhibits.**

**Worksheet**  
Create and attach a supporting worksheet for each type of request. Sales tax, use tax and all local taxes need to be separated by local taxing district on each worksheet. See instructions.

**Describe your business and the reason for your request.**

Total Refund or Amount Due

Refund requested  Additional tax due

The application must include sufficient information to permit the commissioner to verify the tax paid. 297A.75 Subd. 3a.

**Sign Here**  
A request for refund filed by a corporation must bear the original signatures and titles of the officers having the authority to sign for the corporation and declare under the penalty of criminal liability for willfully making a false claim that this claim has been examined, and, to the best of my (our) knowledge and belief, is true and complete.

Signature of taxpayer or authorized representative	Title	Date	Phone
Preparer signature	Preparer Minnesota tax ID number	Date	Preparer Phone

**Send us Form ST11-MPA, your worksheet(s), and supporting documents:**

**Mail:** Minnesota Department of Revenue  
Mail Station 6330  
600 N. Robert Street  
St. Paul, MN 55146-6330

**Email:** [sg@mn.gov](mailto:sg@mn.gov) or [st11mpa@mn.gov](mailto:st11mpa@mn.gov)

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## Part 10

Are you looking for additional resources?



Visit our website at [revenue.state.mn.us](http://revenue.state.mn.us)

## Sales and Use Tax Contact Information

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

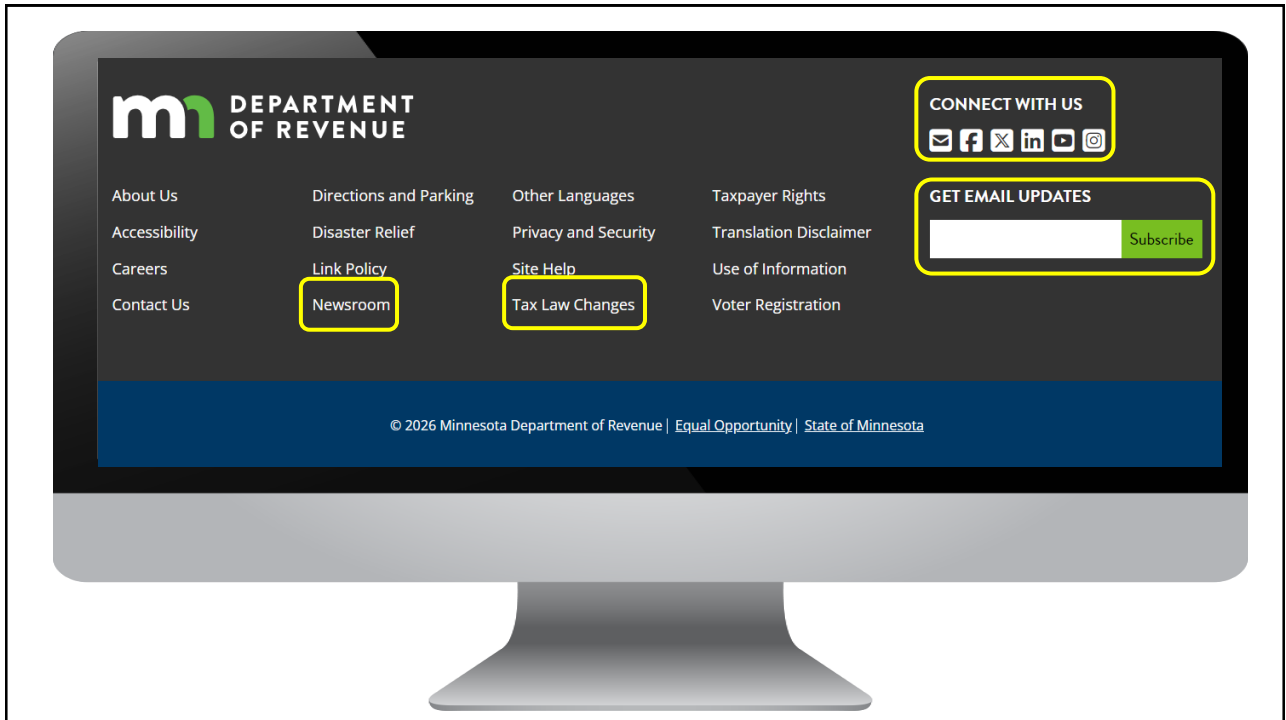


[Get Sales Tax Help](#)

## Other Division Contact Information

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





## Email Updates with GovDelivery

### SUBSCRIBE TO EMAIL UPDATES

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# Notification of Changes

It is your responsibility to ensure the following information is correct:

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



Part 11

## Equipment Commonly Taxed Incorrectly

Manufacturers often mistakenly claim the capital equipment exemption on these items:

- Access-required devices
- Cabinets and other storage items
- Regulatory-required equipment

## Multi-Use Equipment Commonly Taxed Incorrectly

Manufacturers often mistakenly claim the capital equipment exemption on multi-use equipment.

- Computers
- Forklifts
- Hand tools



## Repair Parts Commonly Taxed Incorrectly

Manufacturers often overlook claiming the capital equipment exemption for these items:

- Quality control equipment
- Repair parts
- Replacement parts

## Materials consumed in production taxed incorrectly

Manufacturers often mistakenly claim the industrial production exemption on these multi-use items:

- Utilities
- Items purchased with an exemption certificate



## Scenario Discussions

### Scenario 1 – Window Manufacturer

You are an accounts payable clerk for a company that manufactures windows. The company installs windows and sells them at retail. You have vendor invoices for a manlift and shelving that do not have sales tax.

Do you need to accrue use tax on the manlift?

Do you need to accrue use tax on the shelving?

## Scenario 2 – Meat Processing Plant

You are an accounts payable clerk for a meat processing plant. The plant uses a computer system to track their inventory. Your co-worker states that the inventory computer system is exempt under quality control because they must be able to track the meat if it gets recalled. If they do not track the meat, the FDA will not allow them to sell it.

Does the tracking system qualify for an exemption?

## Scenario 3 – Fast Print and Mailing

You work for a store that offers mailbox rental, package service, custom printing, and copying. You are not paying tax on any of your printing or copy machines. You also do not pay tax on any of the ink or supplies for the machines.

- Some machines are used only by employees for custom jobs.
- Other machines are available to the public for per copy fees and, also used by employees for large custom jobs.

Do the printers and copiers qualify for the capital equipment exemption:

- Only used by employees?
- Used by employees and public?

Does the ink qualify for the industrial production exemption?

## Scenario 4 – Wood Furniture Manufacturing

You work for a small furniture manufacturer that expanded their wood furniture line to include custom finishes. To provide custom finishes they moved to a bigger location with several buildings.

- They saw and assemble unfinished furniture pieces in the wood shop building.
- They custom finish the pieces in the finishing building.
- Both buildings have dust control systems.

Do either of the dust control systems qualify for the capital equipment exemption:

- Wood shop?
- Finishing Building?

## Scenario 5 – ABC Manufacturing

You work for a large manufacturer who has given a blanket exemption certificate to the welding supply store.

- The invoices include charges for welding gases, tanks, and cutting tips.
- The welding gases are used to repair qualifying capital equipment.

Would all these items qualify for either the capital equipment exemption or the industrial production exemption:

- Welding gases?
- Tanks?
- Cutting tips?

## Scenario 6 - Gravel Company

You work for a road contractor who has multiple gravel pits. The company sells class 5, crushed rock, and pit run at retail. They also use these materials in their construction jobs.

- The company has never requested a capital equipment refund.
- The company gives exemption certificates to many of their equipment suppliers.
- The company keeps a breakdown of retail sales versus construction contracts.

From this information can you determine if the equipment used in the gravel pit qualifies for the capital equipment exemption?

## Scenario 7 - Turkey Processing Plant

You work for a turkey processing plant that must maintain a temperature of 37 degrees on the processing floor. The processed turkeys are flash frozen and stored in freezers until they are shipped out. You are reviewing the electric bills and utility studies and find that all the electricity associated with the cooling and freezers was purchased exempt.

Are you allowed to purchase your electricity exempt:

- for cooling the processing floor?
- for flash freezing the turkeys?
- for storing the turkeys until they are shipped?

## Scenario 8 – Water Company

You work for a bottled water company that has a proprietary filter system. The company is building a new building for all the pipes and filters for the system. You are purchasing all the building materials exempt from tax under the special purpose building exemption.

Do the building materials qualify for this exemption?

## Course Summary

During this course, we discussed...

- When sales and use taxes are owed
- The capital equipment and industrial production exemptions
- The refunds and exemptions available to businesses engaged in "industrial production"
- How to request a refund of taxes paid using Forms ST11 and ST11-MPA

# Thank you!

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## Scenario 1 – Window Manufacturer

You are an accounts payable clerk for a company that manufactures windows. The company installs windows and sells them at retail. You have vendor invoices for a manlift and shelving that do not have sales tax.

### Do you need to accrue use tax on the manlift?

Yes. Employee access equipment is taxable. It does not have a direct effect on the product.

### Do you need to accrue use tax on the shelving?

We do not have enough information. Shelving used to store raw materials, finished goods, and tools not used in production, is taxable. Shelving used to store work in progress is exempt.

Other things to consider: If the company installs over 50% of what they produce, they would be considered a contractor and would not qualify for the capital equipment or industrial production exemptions. All equipment would be taxable.

Note: They could still qualify for the exemption on specific pieces of equipment that are used primarily, 50% or more, in making a product for resale.

## Scenario 2 – Meat Processing Plant

You are an accounts payable clerk for a meat processing plant. The plant uses a computer system to track their inventory. Your co-worker states that the inventory computer system is exempt under quality control because they must be able to track the meat if it gets recalled. If they do not track the meat, the FDA will not allow them to sell it.

### Does the tracking system qualify for an exemption?

No. This is an example of a computer system and software that does not qualify for the capital equipment exemption. The fact that the equipment is required by a regulatory agency, in this case the FDA, does not automatically qualify the item for the exemption.

- It does not qualify because the tracking system is considered production support which does not meet the definition of capital equipment.
- If the computer system and software were used to run production equipment over 50% of the time, then it would qualify for the exemption.

## Scenario 3 – Fast Print and Mailing

You work for a store that offers mailbox rental, package service, custom printing, and copying. You are not paying tax on any of your printing or copy machines. You also do not pay tax on any of the ink or supplies for the machines.

- Some machines are used only by employees for custom jobs.
- Other machines are available to the public for per copy fees and, also used by employees for large custom jobs.

Do the printers and copiers qualify for the capital equipment exemption:

- **Only used by employees?** Yes. The machines used only by employees for custom jobs are qualifying capital equipment and are exempt.
- **Used by employees and public?** We do not have enough information. The machines used by both the public and employees would qualify if 50% or more of the copies were made by the employees for outside job orders. If they are primarily used by the public, they would not qualify.

**Does the ink qualify for the industrial production exemption?** Yes. All the ink may be purchased exempt for resale as it becomes part of the product. However, you need to accrue use tax on any ink that you take out of inventory to use for internal administrative purposes.

Other things to consider: Maintenance contracts for the printing and copying machines may be purchased exempt if the underlying equipment qualifies for the capital equipment exemption.

## Scenario 4 – Wood Furniture Manufacturing

You work for a small furniture manufacturer that expanded their wood furniture line to include custom finishes. To provide custom finishes they moved to a bigger location with several buildings.

- They saw and assemble unfinished furniture pieces in the wood shop building.
- They custom finish the pieces in the finishing building.
- Both buildings have dust control systems.

Do either of the dust control systems qualify for the capital equipment exemption:

- **Wood shop?** No. The dust filtering equipment that protects the production equipment does not qualify as capital equipment. Any equipment used for the purpose of employee health and safety would also not qualify.
  - If the items that are filtered are re-entered into production or used to produce another product, then the dust control system would qualify.
- **Finishing Building?** Yes. The dust control equipment used in the wood finishing area qualifies for the capital equipment exemption because it is for product quality.

Additional Information to Consider : Repair parts, including all replacement parts that are on the original qualifying equipment, qualify for the capital equipment exemption. However, additional dust filtering components do **not** qualify for the exemption **unless** the manufacturer substantiates, or proves, that the additional component parts provide a quality control function within the integrated production process.

## Scenario 5 – ABC Manufacturing

You work for a large manufacturer who has given a blanket exemption certificate to the welding supply store.

- The invoices include charges for welding gases, tanks, and cutting tips.
- The welding gases are used to repair qualifying capital equipment.

Would all these items qualify for either the capital equipment exemption or the industrial production exemption:

- **Welding gases?** No. The scenario states that the welding gases are being used to repair capital equipment. They do not qualify for the industrial production exemption, because they do not have a direct effect on the product. However, gases used to run the production equipment would qualify.
- **Tanks?** No. Tanks used to store industrial gases would not qualify for exemption.
- **Cutting tips?** No. Cutting tips are an example of separate detachable tools, which **may** qualify for the industrial production exemption, depending on how they are used. In this scenario, they are being used to repair capital equipment, therefore they do not qualify for exemption. However, they could be purchased exempt if they meet the three criteria – accessory tool attached to a machine, have a direct effect on the product, and have a useful life of less than 12 months.

## Scenario 6 - Gravel Company

You work for a road contractor who has multiple gravel pits. The company sells class 5, crushed rock, and pit run at retail. They also use these materials in their construction jobs.

- The company has never requested a capital equipment refund.
- The company gives exemption certificates to many of their equipment suppliers.
- The company keeps a breakdown of retail sales versus construction contracts.

From this information can you determine if the equipment used in the gravel pit qualifies for the capital equipment exemption?

We do not have enough information to determine if the equipment qualifies for the capital equipment exemption. This example shows that the right units must be used to evaluate primary usage. Sales dollars usually have no bearing on determining primary use. You must look at the number of **units** of sale, which in this case, is usually cubic yards. Compare the cubic yards sold at retail (dumped) to the cubic yards installed (leveled). If used for retail sales 50% or more of the time, the equipment would qualify for the capital equipment exemption.

## Scenario 7 - Turkey Processing Plant

You work for a turkey processing plant that must maintain a temperature of 37 degrees on the processing floor. The processed turkeys are flash frozen and stored in freezers until they are shipped out. You are reviewing the electric bills and utility studies and find that all the electricity associated with the cooling and freezers was purchased exempt.

Are you allowed to purchase your electricity exempt:

- **for cooling the processing floor?** Yes. Electricity used to maintain work in process is exempt if it is excess of the average climate control for the production area.
- **for flash freezing the turkeys?** Yes. Electricity used to flash freeze the turkeys is exempt, as it is part of the integrated production process.
- **for storing the turkeys until they are shipped?** No. Electricity used to store turkeys in a freezer until they are shipped is taxable because the production process has been completed. The freezers will qualify as capital equipment, but the electricity used to power them does not qualify for the industrial production exemption.

This example is to illustrate that an item may qualify for industrial production exemption based on its use in the integrated production process. A new utility study is needed. The Utilities Used in Production publication has detailed information regarding utility studies.

## Scenario 8 – Water Company

You work for a bottled water company that has a proprietary filter system. The company is building a new building for all the pipes and filters for the system. You are purchasing all the building materials exempt from tax under the special purpose building exemption.

Do the building materials qualify for this exemption? No.

- This example is used to discuss what is required for a building to qualify for the **special purpose building** exemption.  
**Note:** A building that fits the definition of a **special purpose building** is qualifying capital equipment. Please refer to the Capital Equipment publication for information about, and examples of, special purpose buildings.
- In this case, the building does not qualify as it was only constructed to house the equipment. The building itself does not perform a function essential to the production process.
- Qualifying buildings often offer a controlled environment in direct production of the product, for example a clean room, paint booth, wind tunnel, etc., or have a direct effect on the product itself, such as a freezer, kiln, blast furnace, etc.