Sales and Use Tax for Cannabis Retailers

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Minnesota Business Tax Education

November 2026

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.

Course Description

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

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

What items are exempt?

What items are taxable?

Course Objectives

After completing this course, you'll be able to:

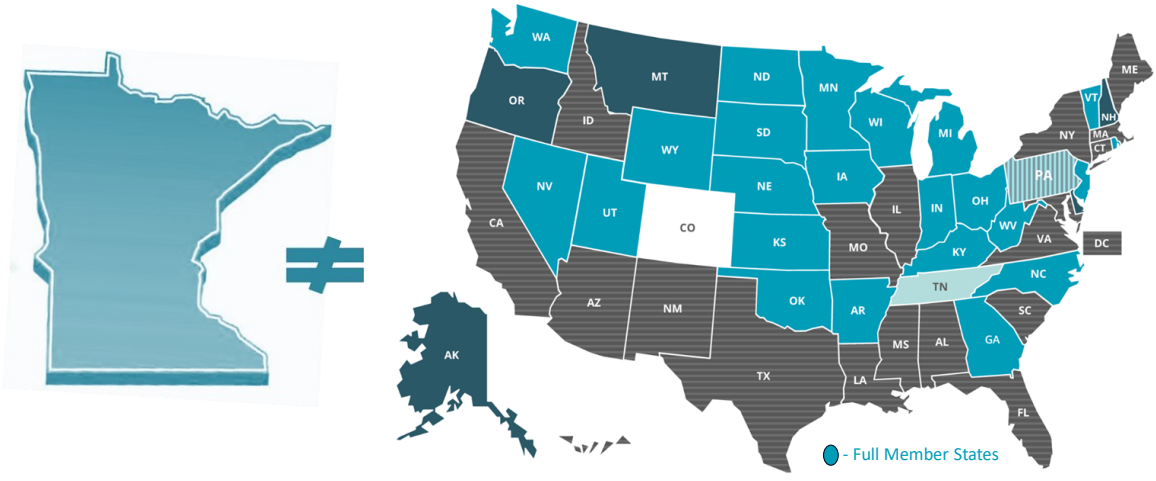
- Apply Minnesota and local sales and use taxes correctly in your business
- Explain how sales and use tax law applies to cannabis retail businesses
- Identify products subject to sales tax and cannabis tax and determine the correct rates
- Recognize how to use and when to accept an exemption certificate
- Find resources that answer your sales and use tax questions

Minnesota Office of Cannabis Management

For People Interested in Starting a Business:

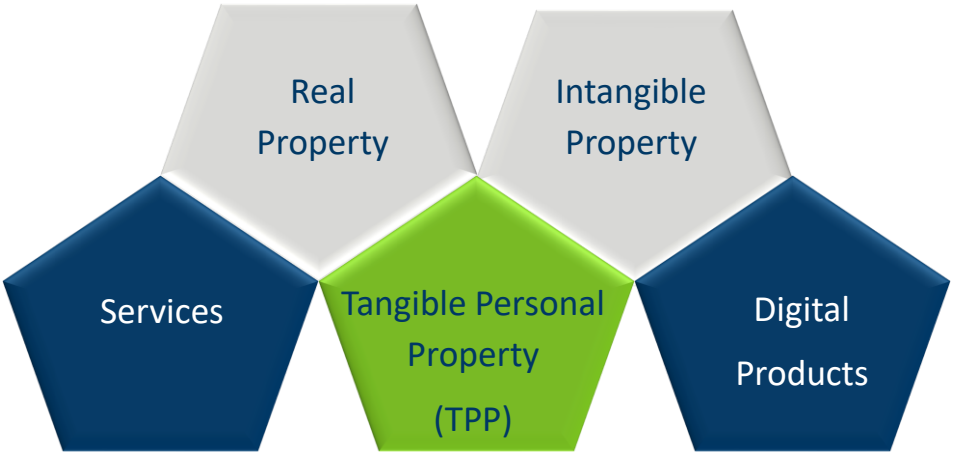
- Social Equity Verification
- Licensing
- Cannabis License Renewal
- License Holder Resources
- Making Business Changes
- Grant Programs
- Guidance Memos
- Product Recalls

Sales Tax Laws Are Not The Same In Every State



Streamlined Sales Tax Governing Board

Categories of Sales



Tangible Personal Property

Subject to tax unless an exemption applies











Sales Tax is a Trust Tax



Cannabis Tax is a Gross Receipts Tax

- Seller is liable for tax on the gross receipts from the sale of taxable cannabis products
- Cannabis tax is reported on the Sales and Use Tax return
- Tax must be remitted by due date

Transaction Tax

Look at each transaction to determine its taxability



Sales Tax is a Transaction Tax

ABC Cannabis Store 105 5th St E St. Paul, MN 55101 Phone: 651-555-5555		
General Merchandise		
Storage Bucket	25.00	T
Hand Pipe	15.00	T
Clothing		
T-Shirt	20.00	E
Hat	5.00	E
Cannabis		
3.5g Blurby Do	45.00	TC
Subtotal	110.00	
Sales Tax on 85.00	8.39	
Cannabis Tax on 45.00	6.75	
Total	125.14	

ABC Cannabis Store 105 5th St E St. Paul, MN 55101 Phone: 651-555-5555		
General Merchandise		
Storage Bucket	25.00	*
Hand Pipe	15.00	*
Clothing		
T-Shirt	20.00	
Hat	5.00	
Cannabis		
3.5g Blurby Do	45.00	**
Subtotal	110.00	
Sales Tax on 85.00	8.39	
Cannabis Tax on 45.00	6.75	
Total	125.14	

ABC Cannabis Store 105 5th St E St. Paul, MN 55101 Phone: 651-555-5555		
General Merchandise		
Storage Bucket	25.00	T
Hand Pipe	15.00	T
Clothing		
T-Shirt	20.00	N
Hat	5.00	N
Cannabis		
3.5g Blurby Do	45.00	C
Subtotal	110.00	
Sales Tax on 85.00	8.39	
Cannabis Tax on 45.00	6.75	
Total	125.14	

What is the tax rate?



Do I need to collect and remit?

You must remit **Minnesota Cannabis Tax** on taxable cannabis products, unless an exemption applies

You must collect and remit **Minnesota Sales Tax** on retail sales **sourced** to Minnesota, unless an exemption applies

General Sourcing Rules



Seller's Address



Delivery Address



Billing Address

M.S. 297A.668, subd. 2

Bundled Transactions

Bundled transactions are two or more items included for one non-itemized price.

- Taxable when any of the included items are taxable.

Gummies/Hat	**$10.00**
15% Cannabis Tax (on $10)	**1.50**
Tax (6.875% on $10 + local tax)	**0.69**
Total due	**$12.19**

Gummies	$ 5.00
Hat	5.00
Subtotal	10.00
15% Cannabis Tax (on $5)	0.75
Tax (6.875% on $5 + local tax)	0.34
Total due	$11.09

Taxable Sales – Cannabis Tax

Examples of taxable cannabis sales:

- Cannabis flower
- Cannabis products
- Lower-potency hemp edibles
- Hemp-derived consumer products
- Cannabis solution products
- Any similar item

Taxable Sales – Sales Tax

Examples of taxable sales:

- Taxable cannabis products
- Immature cannabis plants and seedlings
- Childproof packaging containers
- Books and videos
- Magazines
- Hemp fiber products
- Hemp-derived topical products
- Products that detect the presence of fentanyl or a fentanyl analog

Taxable Sales Price Includes

- Retail price of the product or service
- All items required as a condition of the sale
- Delivery or handling charges
- Fabrication labor
- Installation charges
- Service charges
- Taxes that are the obligation of the seller

Exempt Sales

- Cannabis sold on Tribally Regulated Land
- Medical cannabis
- Products sold for resale
- Items shipped out of Minnesota
- Food (grocery items) for human consumption
- Clothing for general use
- Prescription and over-the-counter drugs for humans
- Publications sold by subscription

Exempt Purchases

- Inventory purchased for resale Retailers and Wholesalers
- Advertising materials shipped out-of-state Advertising
- Items consumed in performing a taxable service Taxable Services
- Items used in agricultural production Agricultural and Farming
- Materials used in the manufacturing process Industrial Production

Taxable Purchases

General items used in your business:

- Office supplies
- Retail equipment and supplies
- Taxable services
- Promotional Items
- Utilities

Taxable Tracking Equipment

Taxable purchases for mandated production tracking

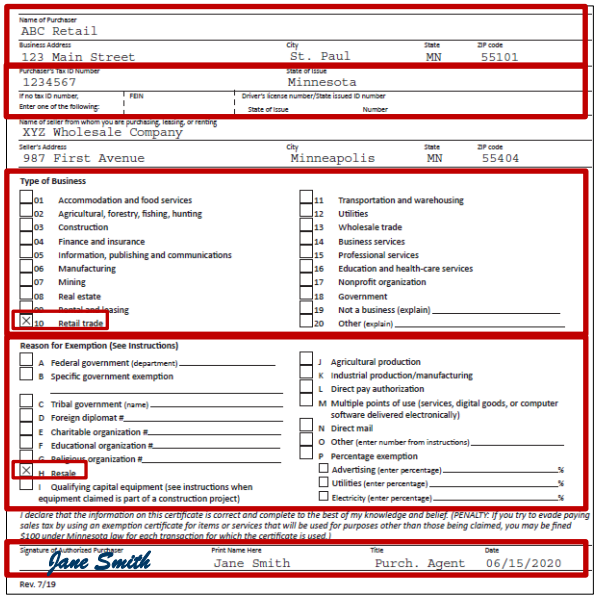
- Plant Identification/Tracking Supplies
- Scanners
- Software

Authorized Exemption Certificates

- Form ST3, Certificate of Exemption
- Form F0003, Certificate of Exemption
- Uniform Sales and Use Tax Certificate
- Other state's exemption certificates*
- Self-prepared exemption certificate *

*If all required elements are included

Required Elements for Exemption Certificates



Name of Purchaser: ABC Retail
Business Address: 123 Main Street | City: St. Paul | State: MN | ZIP code: 55101
Purchaser's Tax ID Number: 1234567 | State of Issue: 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: XYZ Wholesale Company
Seller's Address: 987 First Avenue | City: Minneapolis | State: MN | ZIP code: 55404

Type of Business

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

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 #
- [X] 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)
- P Percentage exemption
  - Advertising (enter percentage) %
  - Utilities (enter percentage) %
  - Electricity (enter percentage) %

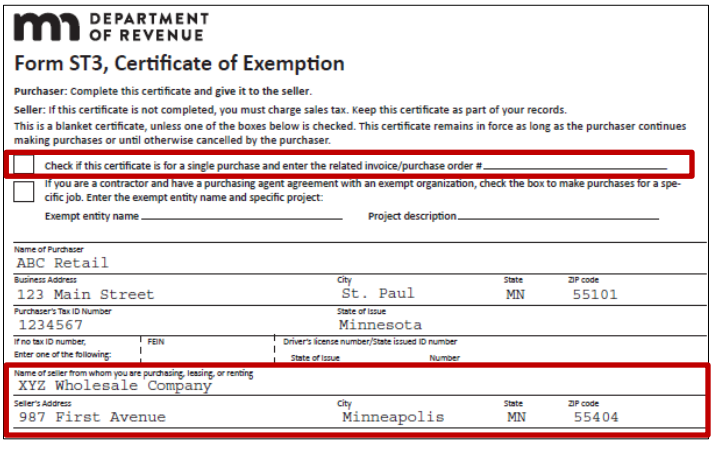
I declare that the information on this certificate is correct and complete to the best of my knowledge and belief. (PENALTY: If you try to evade paying sales tax by using an exemption certificate for items or services that will be used for purposes other than those being claimed, you may be fined $500 under Minnesota law for each transaction for which the certificate is used.)

Signature of Authorized Purchaser: Jane Smith | Print Name Here: Jane Smith | Title: Purch. Agent | Date: 06/15/2020

Rev. 7/19

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

Other Fields on the Exemption Certificate



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Form ST3, Certificate of Exemption

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.

- [ ] Check if this certificate is for a single purchase and enter the related invoice/purchase order #
- [ ] 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: ABC Retail
Business Address: 123 Main Street | City: St. Paul | State: MN | ZIP code: 55101
Purchaser's Tax ID Number: 1234567 | State of Issue: 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: XYZ Wholesale Company
Seller's Address: 987 First Avenue | City: Minneapolis | State: MN | ZIP code: 55404

- One-time exemption on a purchase
- 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, 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

Local Taxes

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

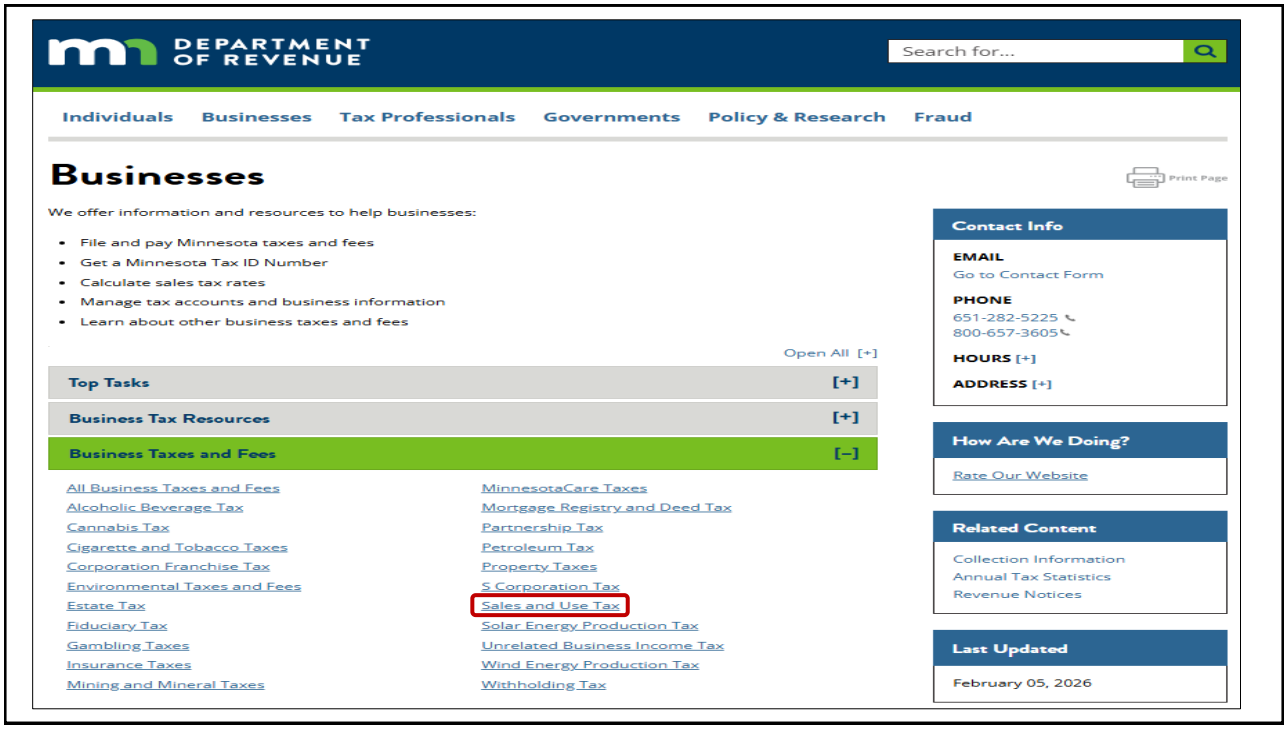
- City tax
- County or County transit tax
- Special local tax
- Motor vehicle $20 excise tax



Tools to Find Tax Rates

We offer a variety of tools including:

- Sales Tax Rate Calculators
- Sales Tax Rate Map
- Sales Tax API (Application Program Interface)
- Sales Tax Rate Spreadsheet
- Local Sales Tax Rate Publication
- Twin Cities Area Local Tax Rate Publication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We offer information and resources to help businesses:
File and pay Minnesota taxes and fees
Get a Minnesota Tax ID Number
Calculate sales tax rates
Manage tax accounts and business information
Learn about other business taxes and fees
Open All [+]
Top Tasks [+]
Business Tax Resources [+]
Business Taxes and Fees [–]
All Business Taxes and Fees
Alcoholic Beverage Tax
Cannabis Tax
Cigarette and Tobacco Taxes
Corporation Franchise Tax
Environmental Taxes and Fees
Estate Tax
Fiduciary Tax
Gambling Taxes
Insurance Taxes
Mining and Mineral Taxes
MinnesotaCare Taxes
Mortgage Registry and Deed Tax
Partnership Tax
Petroleum Tax
Property Taxes
S Corporation Tax
Sales and Use Tax
Solar Energy Production Tax
Unrelated Business Income Tax
Wind Energy Production Tax
Withholding Tax
Contact Info
EMAIL
Go to Contact Form
PHONE
651-282-5225
800-657-3605
HOURS [+]
ADDRESS [+]
How Are We Doing?
Rate Our Website
Related Content
Collection Information
Annual Tax Statistics
Revenue Notices
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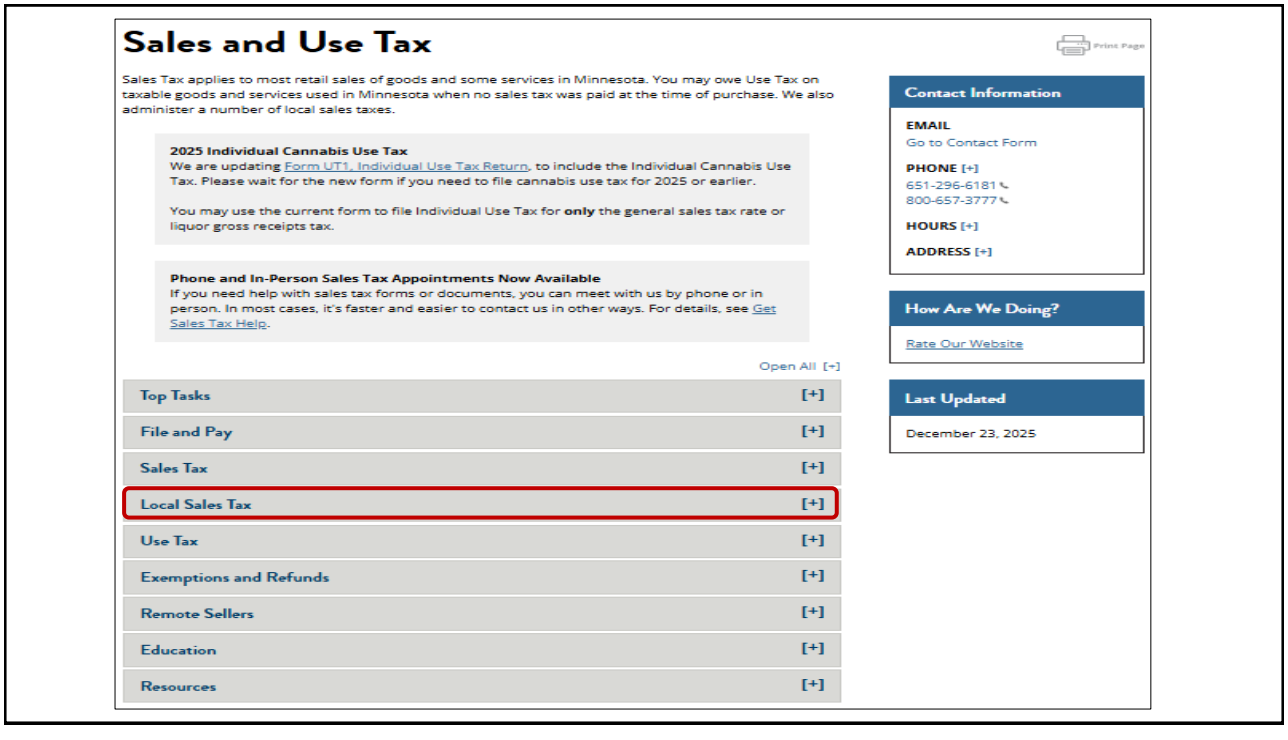
Sales and Use Tax
Print Page
Sales Tax applies to most retail sales of goods and some services in Minnesota. You may owe Use Tax on taxable goods and services used in Minnesota when no sales tax was paid at the time of purchase. We also administer a number of local sales taxes.
2025 Individual Cannabis Use Tax
We are updating Form UT1, Individual Use Tax Return, to include the Individual Cannabis Use Tax. Please wait for the new form if you need to file cannabis use tax for 2025 or earlier.
You may use the current form to file Individual Use Tax for only the general sales tax rate or liquor gross receipts tax.
Phone and In-Person Sales Tax Appointments Now Available
If you need help with sales tax forms or documents, you can meet with us by phone or in person. In most cases, it's faster and easier to contact us in other ways. For details, see Get Sales Tax Help.
Open All [+]
Top Tasks [+]
File and Pay [+]
Sales Tax [+]
Local Sales Tax [+]
Use Tax [+]
Exemptions and Refunds [+]
Remote Sellers [+]
Education [+]
Resources [+]
Contact Information
EMAIL
Go to Contact Form
PHONE [+]
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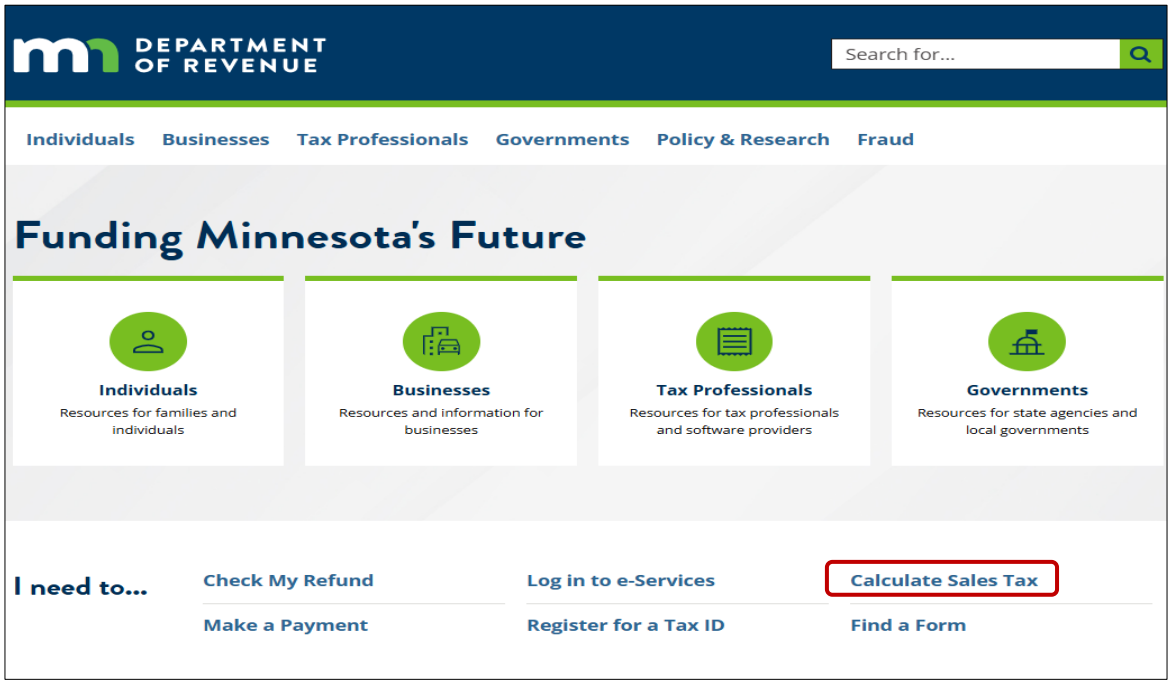
800-657-3777
HOURS [+]
ADDRESS [+]
How Are We Doing?
Rate Our Website
Last Updated
December 23, 2025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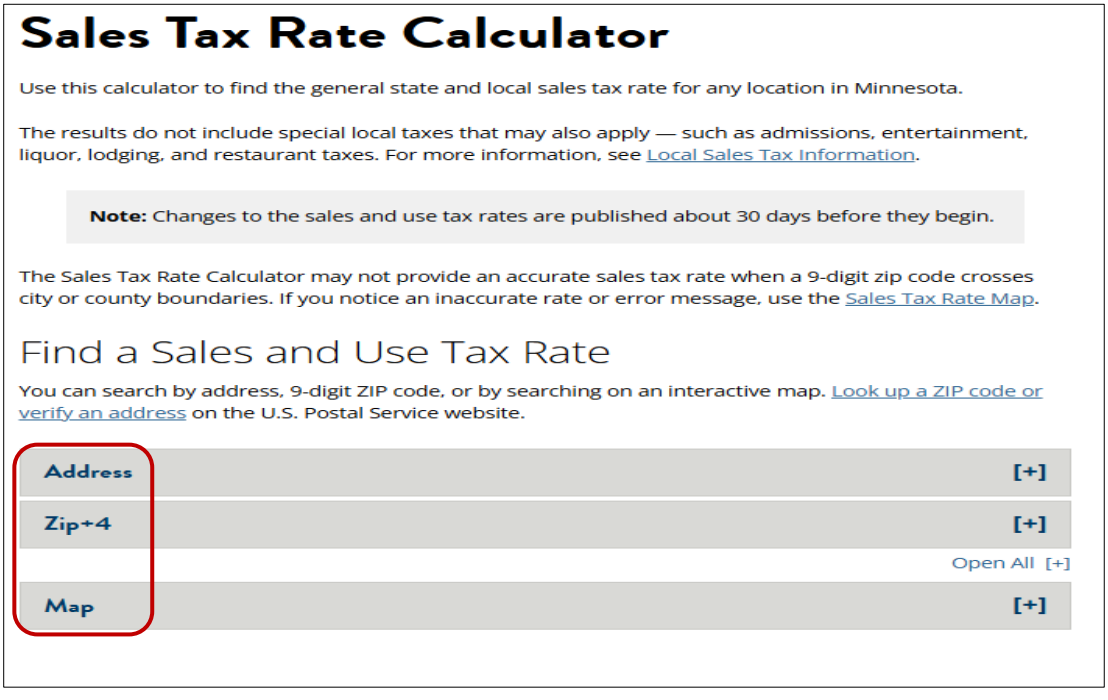
Resources for families and individuals
Businesses
Resources and information for businesses
Tax Professionals
Resources for tax professionals and software providers
Governments
Resources for state agencies and local governments
I need to...
Check My Refund
Log in to e-Services
Calculate Sales Tax
Make a Payment
Register for a Tax ID
Find a Form


Sales Tax Rate Calculator
Use this calculator to find the general state and local sales tax rate for any location in Minnesota.
The results do not include special local taxes that may also apply — such as admissions, entertainment, liquor, lodging, and restaurant taxes. For more information, see Local Sales Tax Information.
Note: Changes to the sales and use tax rates are published about 30 days before they begin.
The Sales Tax Rate Calculator may not provide an accurate sales tax rate when a 9-digit zip code crosses city or county boundaries. If you notice an inaccurate rate or error message, use the Sales Tax Rate Map.
Find a Sales and Use Tax Rate
You can search by address, 9-digit ZIP code, or by searching on an interactive map. Look up a ZIP code or verify an address on the U.S. Postal Service website.
Address [+]
Zip+4 [+]
Open All [+]
Map [+]

Sales Tax API (Application Program Interface)

Subscribe to Sales Tax API email updates.

The Minnesota Department of Revenue offers a Sales Tax Application Program Interface (Sales Tax API) that connects an online retailer's sales site and Minnesota's sales tax rate information, using a nine-digit ZIP code.

Why use the Sales Tax API?

The Sales Tax API is an efficient service that will automatically find the general state and local sales tax rate for any location in Minnesota for each of your sales transactions. You no longer need to do quarterly updates for rates and boundaries information when using the Sales Tax API.

The results do not include special local taxes—such as admissions, entertainment, liquor, lodging, and restaurant taxes—that may also apply. For more information, see Local Sales Tax Information.

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

Use Tax

Use tax is based on your purchase price of taxable items or services. This is true whether you:

- Buy items without paying sales tax
- Take items out of inventory
  - Use in your business
  - Donate to a charitable organization
  - Give away as promotional gifts
- Buy items in another state or a Minnesota city or county with a lower (or no) local tax

Review Your Invoices

- Determine if items on the invoice are taxable
- Check for taxable items purchased with an exemption certificate
- Look for vendor changes
- Watch for remote sellers that are not required to charge sales tax
- Be aware of local taxes



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 on the invoice

Variable Rate Credit

- Minnesota allows a credit for sales tax paid to another state
- Must be legally due to the other state to receive credit

Calculating Variable Rate

1. Calculate the applicable amount of tax due (variable rate X purchase 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	(5.500%)
Variable rate tax due to Minnesota	1.375%

Recordkeeping Basics

Use a record-keeping system that:

- Incorporates Generally Accepted Accounting Principles (GAAP)
- Tracks the data you need
- Easy to maintain
- Works for your business

Sales Documentation

You should retain sales documents that detail the following:

- Date of the transaction
- Description of the item
- Sales price
- Where the sale was sourced
- Sales tax collected
- Exemption certificates

Purchase Documentation

Record this information:

- Date of purchase
- Invoice number
- Vendor's name
- Description of item
- Taxable amount
- Amount of state and local sales or use tax paid

Keep a copy of the backup documentation

Fundamentals of a Recordkeeping System

Make sure that you:

- Record each transaction the same
- Do not mix personal and business transactions
- Do not mix business records, if you have more than one business
- Use the appropriate accounting method (cash or accrual)

Minnesota Rule 8130.7501

Accounting Methods

Cash Basis

- Record income when you receive payment
- Report sales tax when you receive payment
- Report use tax when you pay the invoice

Accrual Basis

- Record income when you make the sale
- Report sales tax when you make the sale
- Report use tax based on the invoice date

Filing and Paying

e-Services

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

1. File your return by the due date.

2. Pay your sales and use tax liability on or before the due date.

Cash Payment Waiver

- Most businesses are required to remit payment electronically
- Cannabis businesses unable to secure banking because of their involvement with cannabis may request a waiver to pay in cash (M.S. 289A.33)

Form CW-1 Cannabis Business Tax Payments

Cannabis Posting Process

If you:

- Are subject to cannabis tax, AND
- Owe one of the following tax types: Sales, Cannabis, Withholding, Corporate Income, S Corporation, and Partnership minimum fees

A Cannabis Posting Intent Letter will be issued

Cannabis Posting Process

- 10-day notice to pay in full
- If the full payment is not received:
  - Posted on the Tax Delinquency list
  - Prevents the purchase or delivery of cannabis products

Cannabis Posting Process

To be removed from the Tax Delinquency list the business must:

- Call the Minnesota Department of Revenue at 651-556-6830
- Obtain the required payoff amount
- Pay in full with secured funds

Then the business may receive cannabis deliveries again

Cannabis Posting

Letters or Bills

Did you receive a letter or a bill from us?





Resources

Are you looking for additional resources?

Visit our website at revenue.state.mn.us

Filing a Sales and Use Tax Return: Filing Information

For Cannabis specific information: Cannabis Tax and

Minnesota Office of Cannabis Management



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)



Get Sales Tax Help

Other Division Contact Information

Business Income Taxes

- 651-556-3075
- Email: businessincome.tax@state.mn.us

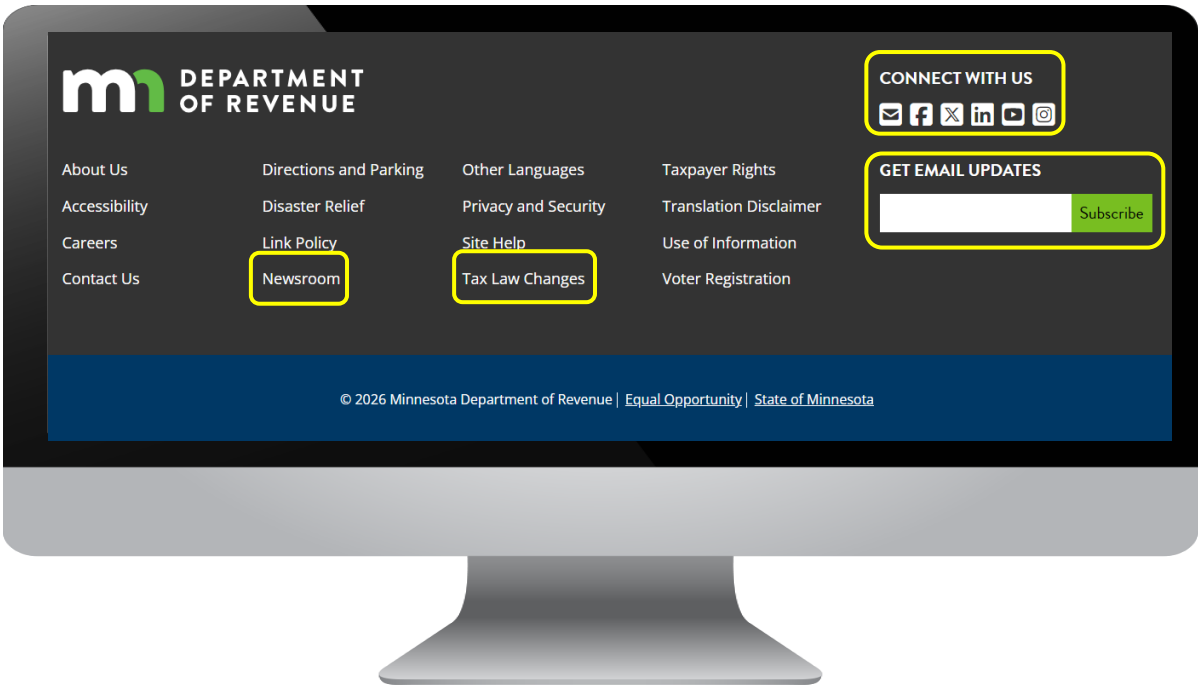
Withholding Tax

- 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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Sales and Use Tax Education Classes

Cannabis related webinars:

- Sales and Use Tax for Cannabis Agricultural Production
- Sales and Use Tax for Cannabis Manufacturing

Other helpful Webinars:

- Introduction to Sales and Use Taxes
- Sales and Use Tax for Retailers
- Sales and Use Tax for e-Services

Sales Tax Education

Course Review

During this class, we discussed …

- The basic sales and use tax concepts for Minnesota and its local taxing jurisdictions
- How sales tax and cannabis tax applies to retail cannabis businesses
- The difference between taxable goods and those that are exempt
- How to use and when to accept an exemption certificate
- The documentation necessary for your records and returns
- Where to find resources to answer your questions

DEPARTMENT OF REVENUE

Minnesota Business Tax Education

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