

Local Sales and Use Taxes

164

Fact Sheet

The Minnesota Department of Revenue currently administers and collects the local taxes shown in the chart at right. The sales tax applies to retail sales made and taxable services provided within the city or county. The use tax applies to taxable items used in the city or county, if local sales tax was not paid. The tax applies to the same items that are taxed by the Minnesota sales and use tax law. For more information about the seven special local taxes (shown in the chart with an asterisk [*]) see Sales Tax Fact Sheet 164S, Special Local Taxes.

To figure the tax, combine the state sales tax rate and the local rate. Apply the combined rate to the taxable sales price and round to the nearest full cent. (Rate charts are available on our web site or upon request).

Report local taxes when you electronically file your Minnesota sales and use tax.

The figures are reported separately from state taxes.

Who is required to collect

All retailers who are registered to collect Minnesota sales tax and are doing business in an area with a local tax must be registered with the Minnesota Department of Revenue to collect that local tax. This includes sellers from outside the locality who:

- have an office, distribution, sales, sample, or warehouse location, or other place of business in the local area either directly or by a subsidiary;
- have a representative, agent, salesperson, canvasser, or solicitor in the local area, on either a permanent or temporary basis, who operates under the authority of the retailer or its subsidiary for

City/County	Type of Tax	Begin Date	Rate
Cook County	Sales Tax	1/1/94	1.00%
	Use Tax	1/1/00	1.00%
Hermantown	Sales Tax	4/1/97	0.50%
	Use Tax	1/1/00	0.50%
Mankato	Sales Tax	4/1/92	0.50%
	Use Tax	1/1/00	0.50%
Minneapolis	Sales Tax and Use Tax	2/1/87	0.50%
	Downtown Liquor Tax*	2/1/87	3.00%
	Lodging Tax (1)*	4/1/02	3.00%
	Downtown Restaurant Tax*	2/1/87	3.00%
	Entertainment Tax*	10/1/69	3.00%
New Ulm	Sales Tax and Use Tax	4/1/01	0.50%
Proctor	Sales Tax and Use Tax	4/1/00	0.50%
Rochester	Sales Tax and Use Tax	1/1/93	0.50%
	Lodging Tax*	9/1/71	3.00%
St. Cloud	Liquor Tax*	2/1/87	1.00%
	Food Tax*	2/1/87	1.00%
St. Paul	Sales Tax	9/1/93	0.50%
	Use Tax	1/1/00	0.50%
Two Harbors	Sales Tax and Use	4/1/99	0.50%
Willmar	Sales Tax and Use (2)	1/1/1998-12/31/01	0.50%
Winona	Sales Tax and Use	4/1/99	0.50%

(1) Minneapolis lodging tax rate was 2% before 4/1/01.

(2) Willmar tax ended December 31, 2001.

Duluth imposes and administers its own local taxes. For information and forms, contact the city of Duluth directly at: Duluth Sales Tax, 105 City Hall, Duluth MN 55802, phone 218-723-3271.

Corporate and Sales Tax Division – Mail Station 6330 – St. Paul, MN 55146-6330
 Phone: Twin Cities 651-296-6181 or toll-free 1-800-657-3777
 For TTY, contact Minnesota Relay at 7-1-1

This fact sheet is intended to help you become more familiar with Minnesota tax laws and your rights and responsibilities under the laws. Nothing in this fact sheet supersedes, alters, or otherwise changes any provisions of the tax law, administrative rules, court decisions, or revenue notices. Alternative formats available upon request.

- any purpose, such as repairing, selling, installing, or soliciting orders for the retailer's goods or services, or leasing tangible personal property in the local area;
- deliver tangible personal property to the local area in their own vehicles; or
- perform taxable services in the local area.

Local tax applies to sales made or services performed within city limits or county boundaries only. Zip codes help to determine the taxing area, but don't always correspond exactly with city limits, so part of a zip code may be outside the city. (See *Zip codes* on page 3.)

To register for local taxes, call 651-282-5225 or toll free 1-800-657-3605.

Local use tax

Local use tax applies when you buy items or services for business or personal use in the local area without paying local sales tax to the seller. Use tax is similar to the sales tax and the rates are identical. It is based on your cost of taxable purchases. Common examples of when use tax is due are:

- You buy items outside the local area and the seller doesn't charge local sales tax, but you use the item for business or personal use in the local area.
- You buy a taxable item for your business from an out-of-state seller who does not charge or collect local sales tax.

Request Fact Sheets 146, Use Tax for Businesses, and 156, Use Tax for Individuals, for more information about use tax.

Credit for local tax paid. If you pay local sales tax in Minnesota to one locality but use the items in another area that imposes a local sales and use tax, you are allowed credit for the local sales tax already paid.

When to charge local tax

As a general rule, charge local sales tax on all sales made in a local taxing area that are subject to Minnesota state sales tax. Charge local sales tax to customers from outside the city or county who *pick up* items in the local area for *business or personal use*, even if the items are taken out of the local area. Charge local sales tax to customers from outside the local area if you perform taxable services, such as dry cleaning or car washing, for them *in the local area*.

Exemptions

Do **not** charge local sales tax on sales of taxable items when:

- your customer gives you an exemption certificate for state sales tax;

- you deliver the items to them outside the local area by means of your own vehicle, common carrier, U. S. mail, or parcel post;
- you sell to motor carrier direct pay certificate holders (purchaser must give seller motor carrier direct pay number on Form ST3);
- you sell advertising materials to be used outside the local area (purchaser must give seller an exemption certificate);
- you sell packing materials used to ship household items outside the local area (purchaser must give seller an exemption certificate); or
- you sell *direct-to-home* satellite (DBS) services (not cable). These services are subject to state sales tax, but *not* local sales tax.

Federal government agencies do not pay state or local sales and use taxes.

Minnesota state agencies use a Direct Pay Permit when buying *tangible items*, which means that they do not pay tax to the seller—they pay sales tax directly to the state. However, the permit does not apply to purchases of services, meals, lodging, admissions or purchases of motor vehicles, so state agencies must pay state and local taxes to the seller on these purchases.

Local governments do not pay local sales or use tax.

Local governments include cities, towns, counties, instrumentalities, political subdivisions, commissions, special districts and governmental boards. No exemption certificate is necessary. However, *state* sales tax generally applies. Request Fact Sheet 143, Cities, Counties, and Other Local Governments, for more information.

Examples of when to charge local tax

In the examples below, Minnesota state tax always applies. Local tax applies as indicated.

1. A Minneapolis company sells items to a St. Paul company. The Minneapolis company delivers the items to St. Paul in their own truck. The Minneapolis company has nexus (a physical presence) in St. Paul and is required to collect St. Paul sales tax (not Minneapolis tax).
2. Same as #1, but the items are shipped via UPS. Since the Minneapolis company has nexus (from other activity) in St. Paul, they are required to collect St. Paul sales tax.
3. A Minneapolis company sells and ships items to a St. Paul company via UPS. The Minneapolis company never physically enters St. Paul and does not have nexus. The Minneapolis company is not required to collect St. Paul or Minneapolis local tax. However, the St. Paul company must pay St. Paul use tax.

4. A St. Paul company picks up items from a Minneapolis supplier for use in St. Paul. The Minneapolis company charges Minneapolis sales tax on the sale because the customer takes possession of the items in Minneapolis.
5. A New Ulm store sells and delivers items to a customer in a city with no local tax. No local tax is due.
6. A contractor buys and picks up materials in a city with a local tax for use in an area without a local tax. Since the materials are picked up by the contractor in the city, local sales tax applies. If the materials are delivered by the seller to the construction site, no local tax is due.
7. A North Dakota contractor buys materials in North Dakota and pays the North Dakota tax. The materials are brought into Minnesota to be used at a construction site in Hermantown. Hermantown local use tax is due. (Also, since the North Dakota tax rate is lower than Minnesota's rate, the difference is also due as Minnesota state use tax.)
8. A person sells at a craft show located in a city with a local tax and the customers take possession of the items in that city. Since the sales are being made in a city with a local tax, the seller must collect both Minnesota and local tax. This is true even if the seller is from outside the city.
9. A photographer takes pictures at a site where there is no local tax. The customer picks up the photos at the photographer's studio in a city with a local tax. Local tax is due because the customer takes possession of the photos in a city with a local tax. If the photographer mails the photos outside the city to an area with no local tax, no local tax is due.

Vehicle leases

Long-term leases: If you enter into a long term lease for a vehicle that is principally based or garaged in an area with local sales tax, local sales tax applies. The local tax applies even if the leasing company is located outside the city or county.

Short-term rentals: Vehicles leased or rented under agreements for less than 29 days are subject to local tax if the lease agreement is entered into in the local taxing area, even if the lessee intends to use the vehicle outside the city or county.

Vehicle sales

Local sales tax does not apply to *sales* of vehicles. However, an excise tax of \$20 applies to sales of vehicles made by dealers located within Mankato, New Ulm, Rochester, and Winona.

For more information on the \$20 excise tax, contact the city offices of Mankato, New Ulm, Rochester or Winona directly, since they administer these taxes themselves.

Zip codes. The general zip code area of each local tax is listed below. Unfortunately, zip codes do not correspond exactly with city limits, and many zip code areas are partly inside and partly outside a city. When a zip code is not entirely inside a city, and a purchaser notifies the seller that the delivery address is outside the city, the seller should not collect the local tax unless the seller can verify by means other than the zip code that the local tax applies.

A detailed breakdown of city taxing areas showing zip code areas that cross city boundaries is available for **Hermantown, Minneapolis, St. Paul, Two Harbors and New Ulm**. Call our office to request the breakdown.

General zip code area of each local tax:

Cook County: 55604-55606, 55612, 55613, 55615. Cities in Cook County are Grand Marais, Grand Portage, Lutsen, Schroeder, Tofte, and Hovland.

Hermantown: 55810, 55811 (both zip codes are used by Hermantown & Duluth)

Mankato: 56001, 56002

Minneapolis: 55401-55409, 55411-55415, 55417, 55419, 55440, 55454, 55455, 55458-55460, 55470, 55472, 55473, 55478-55480, 55482-55484, 55486-55488

Partly in Minneapolis: 55410, 55416, 55418, 55421, 55430

New Ulm: 56073

Proctor: 55810 (used by Proctor, Duluth & Hermantown)

Rochester: 55903, 55905

Partly in Rochester: 55901, 55902, 55904, 55906

St. Cloud: 56301-56304, 56393-56395

St. Paul: 55101-55107, 55114, 55116, 55145, 55146, 55155, 55161, 55164-55166, 55168, 55170-55172, 55174, 55175, 55177, 55182, 55190-55192

Partly in St. Paul: 55108, 55113, 55117, 55119

Two Harbors: 55616

Winona: 55987 (used by Winona, Goodview & Homer)

Note: Local taxes do not apply at the **Minneapolis/St. Paul Airport** or the **Minnesota State Fairgrounds** because they are not in Minneapolis or St. Paul.

Lodging taxes

Many Minnesota cities, towns and areas impose a **lodging tax**. Except for the ones listed on page one, these taxes are **not** administered by the Minnesota Department of Revenue. All questions should be directed to the city or town imposing the tax.

Description and history of local taxes

Cook County (*MN Laws 1993, chapter 375, article 9, section 45*)

- 1% sales tax, 1-1-94
- 1% use tax, 1-1-00
- Funds expansion and improvements to the North Shore hospital. 1997 legislature amended it to allow remodeling of the North Shore care center and additional improvements to the North Shore hospital.

Duluth (*MN Laws 1973, chapter 461*)

- 1% sales and use tax, 1973
- Used for the general fund - municipal operations, maintenance and capital improvements of the city.
- This is the only general local sales tax that is not administered by the Department of Revenue.

Hermantown (*MN Laws 1996, chapter 471, article 2, section 29*)

- 0.5% sales tax, 4-1-97
- 0.5% use tax, 1-1-00
- Funds a sewer interceptor line, improvements to municipal water system, and construction of a police and fire station.

Mankato (*MN Laws 1991, chapter 291, article 8, section 27*)

- 0.5% sales tax, 4-1-92
- 0.5% use tax, 1-1-00
- Funds Mankato Riverfront 2000 urban revitalization project in downtown Mankato (civic-convention center, arena, park and supporting facilities).

Minneapolis (*MN Laws 1969, chapter 1092, MN Laws 1986, chapters 396 and 400, section 44, 2001 1st Special Session, chapter 5, article 12, section 87*)

- 0.5% sales and use tax, 2-1-87
- 2.5% lodging tax, 2-1-87—6-30-91
- 2% lodging tax, 7-1-91—3-31-02
- 3% lodging tax, 4-1-02
- 3% downtown restaurant tax, 2-1-87
- 3% downtown liquor tax, 2-1-87
- The above taxes fund the Minneapolis Convention Center and related facilities.
- 3% entertainment tax, 10-1-69
- Goes to city general fund.
- Applies to admission fees; use of amusement devices and games; food, refreshments, services and goods sold in public places during live performances; and short-term lodging.
- Until 2-1-87, it was called the Minneapolis sales tax.

New Ulm (*MN Laws 1999, chapter 243, article 4, section 17*)

- 0.5% sales and use tax, 4-1-01
- Funds construction and improvement of a civic and community center and recreational facility.

Proctor (*MN Laws 1999, chapter 243, article 4, section 18*)

- 0.5% sales and use tax, 4-1-00
- Funds construction and improvement of city streets, and

constructing and equipping a community center.

Rochester (*MN Laws 1998, chapter 389, article 8, section 43; MN Laws 1992, chapter 511, article 8, section 33; MN Laws 1989, chapter 233; MN Laws 1983, chapter 342, article 19, section 4*)

- 0.5% sales and use tax, 1-1-93
- 3% lodging tax, 9-1-71
- Funds improvements to: transportation infrastructure—both highway and airport; civic center complex; water, sewer, and storm sewers; and construction of a recreation and sports center. Previously funded capital improvements to fire hall, city hall and public library facilities.
- Rochester had 1% sales and use tax from 8-1-83 thru 12-31-92; funded capital and administrative costs of improvements to city park and recreation system and flood control improvements.

St. Cloud (*MN Laws 1986, chapter 379*)

- 1% liquor and food tax, 2-1-87
- Funds civic and convention center and related facilities.

St. Paul (*MN Laws 1993, chapter 375, article 9, section 46*)

- 0.5% sales tax, 9-1-93
- 0.5% use tax 1-1-00
- Funds renovation of St. Paul Civic Center and St. Paul neighborhood revitalization project. 1998 legislature amended to fund demolition of existing arena and construction of St. Paul RiverCentre Arena.

Two Harbors (*MN Laws 1998, chapter 389, article 8, section 45*)

- 0.5% sales and use tax, 4-1-99
- Funds sanitary sewer preparation, wastewater treatment, and harbor refuge development projects.

Willmar (*MN Laws 1997, chapter 231, article 7, section 41*)

- 0.5% sales and use tax, 1-1-98
- Funds capital and administrative costs of the acquisition, construction and improvement of public library facilities.
- Tax ends 12-31-2001.

Winona (*MN Laws 1998, chapter 389, article 8, section 46*)

- 0.5% sales and use tax, 4-1-99
- Funds dredging Lake Winona.

References:

- M. S. 297A.95, Coordination of state and local sales tax rates
- M. S. 297A.98, Local governments exempt from local sales taxes
- M. S. 297A.99, Local sales taxes

Other fact sheets you may need:

- Sales to Government, #142
- Special Local Taxes, Minneapolis, Rochester, St. Cloud, #164S