

Local Sales and Use Taxes

164
Sales Tax
Fact Sheet

City/County	Type of Tax	Begin Date	Rate
Albert Lea	Sales Tax and Use Tax	4/1/06	0.50%
Baxter	Sales Tax and Use Tax	10/1/06	0.50%
Bemidji	Sales Tax and Use Tax	1/1/06	0.50%
Cook County	Sales Tax	1/1/94	1.00%
	Use Tax	1/1/00	1.00%
Duluth	Sales Tax and Use Tax	1/1/70 (1)	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*	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	4.00%
St. Cloud Area (2)	Sales and Use Tax	1/1/03	0.50%
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%
	Lodging Tax 50+ rooms*	4/1/04 (3)	6.00%
	Lodging Tax less than 50 rooms*	4/1/04 (3)	3.00%
Two Harbors	Sales Tax and Use	4/1/99	0.50%
Willmar	Sales Tax and Use Tax	1/1/06	0.50%

(1) Duluth sales and use tax originally began 1/1/70. MN Department of Revenue began administration January 1, 2006.

(2) St. Cloud, Sartell, Sauk Rapids, and St. Augusta participate in this tax. Beginning 1/1/06, St. Joseph and Waite Park became participating cities.

(3) MN Department of Revenue began administration of St. Paul lodging taxes that were previously administered by St. Paul.

For more information about the nine special local taxes (shown in the chart with an asterisk []) see Sales Tax Fact Sheet 164S, Special Local Taxes.

Local sales tax

The Minnesota Department of Revenue currently administers and collects the local taxes shown in the chart. Sales tax applies to retail sales made and taxable services provided within the city or county. The tax applies to the same items that are taxed by the Minnesota sales and use tax law.

To figure the tax, combine the state 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 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;
- ship or deliver tangible personal property to the local area; 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 the section *Zip codes* on page 4.)

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, and 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.

See 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.

Several ways to register

Use the *Update business information* link in *e-FILE Minnesota*. To add local taxes, click on the *Sales and use tax* link in the left sidebar. Click *Continue* to advance to the *Additional taxes* page and add local taxes.

You may register for local taxes when filing your sales tax on the internet in *e-FILE Minnesota*. Just click "Add a sales tax type" when filing your return (before you enter your figures).

If you file by phone, you must register for local tax before you file your return. Call 651-282-5225 or e-mail us at salesuse.tax@state.mn.us to register. Be sure to include your Minnesota ID number if you send us an e-mail.

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 in the local area. For example, charge local tax if you perform a car wash or deliver dry cleaned items in an area with a local tax.

Exemptions

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

- your customer gives you a fully completed Certificate of Exemption, Form ST3, for state sales tax;

- you ship or deliver the items to your customer outside the local area;
- you sell to motor carrier direct pay certificate holders (purchaser must give seller motor carrier direct pay number on Form ST3); or
- you sell *direct-to-home* satellite (DBS) services (not cable). These services are subject to state sales tax, but *not* local sales tax. This is a federal preemption from the Telecommunications Act of 1996.

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.

See Fact Sheet 142, Sales to Governments, for more information.

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. If the lease is for a vehicle that requires an up-front payment of state sales tax, local tax is also due up front, if the vehicle is principally garaged in the local area.

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 Baxter, Mankato, New Ulm and Rochester.

For more information on the \$20 excise tax, contact the city offices directly, since they administer these taxes themselves.

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.

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 is required to collect St. Paul sales tax (not Minneapolis tax).
2. 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.
3. A New Ulm store sells and delivers items to a customer in a city with no local tax. No local tax is due.
4. 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.
5. 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 Bemidji. Bemidji 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.)
6. 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 local tax. This is true even if the seller is from outside the city.
7. 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.

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.

A detailed breakdown of city taxing areas showing zip code areas that cross city boundaries is available on our web site for **Albert Lea, Bemidji, Hermantown, Minneapolis, New Ulm, Proctor, St. Augusta, St. Cloud, St. Paul, Sartell, Sauk Rapids, and Two Harbors.** (We plan to add other local taxes shortly.)

General zip code area of each local tax:

Albert Lea: 56007

Baxter: 56425

Bemidji: 56601, 56619

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

Duluth: 55701, 55802, 55803, 55804, 55805, 55806, 55807, 55808, 55810, 55811, 55812, 55801

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, 55474, 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

St. Cloud Area (St. Cloud, Sartell, Sauk Rapids, St. Augusta, St. Joseph, Waite Park): 56301-56304, 56372, 56374, 56377, 56379, 56387, 56388, 56393, 56395-56399

St. Paul: 55101-55107, 55114, 55116, 55130, 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

Willmar: 56201

Note: Local taxes do not apply at the *Minneapolis-St. Paul International Airport* or the *Minnesota State Fairgrounds* because they are not within the city limits of Minneapolis or St. Paul.

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, St. Paul, #164S