

Local Sales and Use Taxes

164
Sales Tax
Fact Sheet

Local sales tax

The Minnesota Department of Revenue currently administers and collects the local taxes shown in the chart on page 3. Local sales tax applies to retail sales made and taxable services provided within the local taxing area. 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(s). 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 or county limits, so part of a zip code may be outside the city or county. (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 when:

- 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 1-800-657-3605; 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; 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 are exempt from state and local sales and use taxes.

Minnesota state agencies have Direct Pay authorization when buying *tangible items*, which means that they do not pay sales tax to the seller—they pay tax directly to the state. However, the Direct Pay 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 motor vehicles. However, beginning July 1, 2008, a \$20 transit improvement vehicle excise tax applies to sales of motor vehicles when the sale occurs in Anoka, Dakota, Hennepin, Ramsey, or Washington County. This excise tax must be collected by any person in the business of selling new or used motor vehicles at retail and must be submitted to the Minnesota Department of Revenue on your Minnesota sales and use tax return.

An excise tax of \$20 applies to sales of vehicles made by dealers located within Baxter, Brainerd, Clearwater, Mankato, New Ulm, Owatonna, Rochester and Worthington. For more information on this \$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 three, 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 the St. Paul and the Transit Improvement taxes (not Minneapolis or Hennepin County taxes).
2. A St. Paul company picks up items from a Minneapolis supplier for use in St. Paul. Since the St. Paul company takes possession of the items in Minneapolis, the Minneapolis supplier must collect the Minneapolis, Hennepin County and Transit Improvement taxes.
3. 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 in the city with a local tax, that city's local sales tax applies. If the materials are delivered by the seller to the construction site, no local tax is due.
4. 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.)
5. 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 the local tax. This is true even if the seller is from outside the city.
6. 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 to an area with no local tax, no local tax is due.

Local Sales and Use Taxes

City/County	Type of Tax	Begin Date	Rate
Albert Lea	Sales Tax and Use Tax	4/1/06	0.50%
Austin	Sales Tax and Use Tax	4/1/07	0.50%
Baxter	Sales Tax and Use Tax	10/1/06	0.50%
Bemidji	Sales Tax and Use Tax	1/1/06	0.50%
Brainerd	Sales Tax and Use Tax	4/1/07	0.50%
Clearwater	Sales Tax and Use Tax	10/1/08	0.50%
Cook County	Sales Tax	1/1/94 – 3/31/08	1.00%
	Use Tax	1/1/00 – 3/31/08	1.00%
Duluth	Sales Tax and Use Tax	1/1/70 (1)	1.00%
Hennepin County	Sales Tax and Use Tax	1/1/07	0.15%
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%
	Food and Beverage Tax*	4/1/09	0.50%
	Entertainment Tax*	4/1/09	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%
North Mankato	Sales Tax and Use Tax	10/1/08	0.50%
Owatonna	Sales Tax and Use Tax	4/1/07	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	6.00%
	Lodging Tax less than 50 rooms*	4/1/04	3.00%
Transit Improvement (3)	Sales Tax and Use Tax	7/1/08	0.25%
Two Harbors	Sales Tax and Use Tax	4/1/99	0.50%
Willmar	Sales Tax and Use Tax	1/1/06	0.50%
Worthington	Sales Tax and Use Tax	4/1/09	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 also became participating cities.

(3) Transit Improvement Area includes Anoka, Dakota, Hennepin, Ramsey, and Washington Counties.

*For more information about the special local taxes, see Sales Tax Fact Sheet 164S, Special Local Taxes.

Zip codes

A new tool is available on our website! The **sales tax rate calculator** provides the state and local general sales and use tax rates that apply to sales made to specific locations in Minnesota. Just enter the 9-digit zip code for the location of the sale, select the period when the sale was made, enter the total amount of the sale (optional) and click the "Submit" button.

The general zip code area of each local tax is listed below. Unfortunately, zip codes do not correspond exactly with city/county limits. **To be sure you are getting the correct results for the specific address you are looking up, use the sales tax rate calculator on our website, and be sure to use the full 9-digit zip code.** If you don't know the 9-digit zip code, click on the "Zip code lookup" link on the calculator. This brings up the United States Postal Service zip code lookup function. Enter the address for the sale and it will give you the correct 9-digit zip code to use on the sales tax rate calculator.

A detailed breakdown of zip code areas that cross city/county boundaries is available on our web site for *Albert Lea, Austin, Baxter, Bemidji, Brainerd, Hennepin County, Hermantown, Minneapolis, New Ulm, Owatonna, Proctor, Sartell, Sauk Rapids, St. Augusta, St. Cloud, St. Paul, Transit Improvement and Two Harbors*. However, because city boundaries change and new streets are added over time, those listings may not be complete. (Zip code guides are not available for all areas.)

General zip code area of each local tax:

Albert Lea: 56007

Austin: 55912

Baxter: 56425

Bemidji: 56601, 56619

Brainerd: 56401

Clearwater: 55320

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

Duluth: 55802-55808, 55810-55812, 55814-55816

Hennepin County: 55111, 55305, 55311, 55316, 55323, 55327, 55328, 55331, 55340, 55341, 55343-55348, 55356, 55357, 55359, 55361, 55364, 55369, 55373-55375, 55384, 55387, 55388, 55391-55393, 55401-55431, 55435-55447, 55450, 55454, 55455, 55458-55460, 55467, 55470, 55472-55474, 55478-55480, 55483, 55484, 55486-55488, 55569-55571, 55574, 55576-55579, 55592, 55593, 55595-55599

Cities in Hennepin County are Bloomington, Brooklyn Center, Brooklyn Park, Champlin, Corcoran, Crystal, Dayton*, Deephaven, Eden Prairie, Edina, Excelsior, Fort Snelling, Golden Valley, Greenfield, Greenwood, Hamel, Hanover*, Hassan Township, Hopkins, Independence, Long Lake, Loretto, Maple Grove, Maple Plain, Medicine Lake, Medina, Minneapolis, Minnetonka, Minnetonka Beach, Minnetrista, Mound, New Hope, Orono, Osseo, Plymouth, Richfield, Robbinsdale, Rockford*, Rogers*, Shorewood, Spring Park, St. Anthony, St. Bonifacius*, St. Louis Park, Tonka Bay, Waconia*, Watertown*, Wayzata, Woodland and Young America*

* Part of zip code for this city is outside Hennepin County

Hermantown: 55810, 55811 (both zip codes are used by Hermantown & Duluth), 55701

Mankato: 56001-56003, 56006

Minneapolis: 55401-55419, 55421, 55423, 55430, 55440, 55450, 55454, 55455, 55458-55460, 55467, 55470, 55472-55474, 55478-55480, 55483-55488

New Ulm: 56021, 56073

North Mankato: 56003

Owatonna: 55060

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

Rochester: 55901-55906, 55960, 55976

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: 55101-55109, 55113, 55114, 55116-55119, 55130, 55133, 55145, 55146, 55155, 55164-55166, 55168-55172, 55175, 55199

Transit Improvement: The transit tax area is Anoka, Dakota, Hennepin, Ramsey and Washington counties. See our website for cities and zip codes in the transit tax area.

Two Harbors: 55616

Willmar: 56201

Worthington: 56187

Note: City taxes do not apply at the *Minneapolis-St. Paul International Airport, the Hubert H. Humphrey Airport Terminal* or the *Minnesota State Fairgrounds* because they are not within the city limits of Minneapolis or St. Paul. However, Hennepin County and Transit Improvement taxes apply at the *Minneapolis-St. Paul International Airport* and the *Hubert H. Humphrey Airport Terminal*. The Transit Improvement tax applies at the *Minnesota State Fairgrounds*.

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, #164S