

SALES TAX NEWSLETTER

Number 62

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Did you really file your sales and use tax return?

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Minnesota Department of Revenue,
Corporate and Sales Tax Division,
Mail Station 6330,
St. Paul, MN
55146-6330.

Phone: 651-296-6181

Minnesota Relay
(TTY) 711.

Internet:
www.taxes.state.mn.us

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Since the introduction of the *e-File Minnesota* system, there has been some confusion about what "filing your return" means. Sending in a sales tax payment is not the same as filing your return. There are two things you must do, (1) file your return, which means you provide the Department of Revenue with your sales figures to support the amount of tax due, *and* (2) send in your tax payment. Prior to the *e-File*

Minnesota system, you submitted your sales figures on a paper return and, submitted the tax along with the paper return. This two-step process has not

changed. You must still submit your sales figures *and* submit the tax; however, you **must** provide the sales figures electronically using *e-FILE Minnesota*, either over the Internet or by phone. Providing your sales figures on paper is no longer an option.

Remember, there are two things you must do in order to avoid late filing and/or payment penalties:

1. **File your return electronically on the Internet at www.taxes.state.mn.us.**
If you don't have Internet access, use the phone system by calling 1-800-570-3329.
2. **Pay your sales and tax.** You can pay your taxes electronically when you file your return. Otherwise, you can pay by check. If you pay by check, you must complete a payment voucher and send it along with your check. Payment vouchers are mailed to you as long as you use them. Once you pay electronically, we'll stop sending vouchers; however, you can call us to request a voucher at any time.

For your convenience, you can electronically file and pay at any time – this service is available 24 hours a day, seven days a week!

For instructions on filing and paying your tax, see Fact Sheet 170, *A Step-by-Step Guide to Filing and Paying Sales Tax Use Tax Electronically*, which is available on our website.

Sales and use tax filing and payment schedule

Use the following schedule as a reminder of when to file your sales and use tax returns *and* to pay any tax due.

Period of Return	Due date for filing <i>and</i> paying
Annual (year 2002)	February 5, 2003
January 2003	February 20, 2003
February 2003	March 20, 2003
March 2003 (monthly & quarterly)	April 21, 2003
April 2003	May 20, 2003
May 2003	June 20, 2003
*June Accelerated Payment 2003	June 26, 2003
June 2003 (monthly & quarterly)	July 21, 2003
July 2003	August 20, 2003
August 2003	September 22, 2003
September 2003 (monthly & quarterly)	October 20, 2003
October 2003	November 20, 2003
November 2003	December 22, 2003
December 2003 (monthly & quarterly)	January 20, 2004
Annual 2003	February 5, 2004

*June accelerated payment

Filers with a sales and use tax liability of \$120,000 or more in the state fiscal year (July 2001 – June 2002) are required to *pay* electronically. In addition, they must make an

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accelerated payment in June of 2003. The June 2003 accelerated payment is 75 percent of the actual June liability. The following estimated tax payment provisions apply to the June payment only. You must pay one of these amounts:

- 75 percent of your actual June liability, or
- 75 percent of your May liability, or
- 75 percent of your average monthly liability for the previous calendar year.

The June 2003 accelerated payment will be due June 26, 2003 and the remaining payment and return for June will be due August 20, 2003. If you do not make an estimated payment by June 26, you will be subject to a penalty. You are also subject to a penalty if you underpay your estimated tax. That penalty is 10 percent of the difference between what you are required to pay and what you did pay.

Consolidated filers

If your business has more than one permanent location, you must register each location. In addition, you must provide separate sales and use tax information for each location when you file your sales and use tax return.

Local sales and use tax

St. Cloud Area Sales and Use Tax

The cities of St. Cloud, Sartell, Sauk Rapids, and St. Augusta have approved a new sales and use tax of one-half percent. The new tax begins January 1, 2003, and applies to the same items as the state sales and use tax. The tax is separate from, and in addition to, the St. Cloud Food and Liquor tax.

If you make retail sales or perform taxable services in St. Cloud, Sartell, Sauk Rapids, or St. Augusta, you must collect the new St. Cloud Area tax. This includes any business located outside the area that delivers taxable goods in their own vehicle into St. Cloud, Sartell, Sauk Rapids, or St. Augusta.

The St. Cloud Area sales and use tax is reported at the same time you report your Minnesota sales and use tax, but the figures are reported separately.

- If you file over the Internet, you may register for the St. Cloud Area tax on-line. Just click "Add a sales tax type" when filing your return.
- 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 and telephone number if you send us an e-mail.

Reporting local sales and use tax

If you collect more than one local sales and use tax, you must separately report each local tax on the applicable local tax line when you file your return.

Winona sales and use tax

Winona sales and use tax will end December 31, 2002.

Our Website is at your service!



Our Website is intended to help businesses comply with their tax obligations. In addition to forms and instructions for business taxes, registration information, and our Business Education workshop schedule, some of the many publications you'll find are sales tax fact sheets, newsletters, sales and use tax law changes notices and Revenue Notices that will provide you with answers to many of your sales and use tax questions. You can also pay your tax and file your sales and use tax returns on-line, rather than by telephone. These services are available 24 hours a day, seven days a week!

When asking a question, be sure to include your business name, Minnesota tax ID number and your telephone number so we can provide you with the best possible service.



www.taxes.state.mn.us

Fact Sheets

Fact sheets are available on many topics related to sales and use taxes. A list is shown on our website (www.taxes.state.mn.us). You can download them from our website or call 651-296-6181 to have them mailed to you.

Interest rates for 2003

The interest rate on delinquent sales and use taxes will be five percent in 2003. Each year the law adjusts the interest rate on unpaid tax according to the adjusted prime rate charged by banks to businesses, as determined by the Board of Governors of the Federal Reserve System. The interest rate on refunds will also be five percent.

Installation charges are taxable

The last two legislative sessions made changes to how installation labor is treated.

- During the 2001 Legislative Session, the definition of sales price was amended to include charges for installation of taxable items. As such, installation charges (whether separately stated or not) became taxable, effective January 1, 2002, *if* performed or billed by the seller of the item. Installation performed by a third party was not taxable.
- Effective July 1, 2002, installation charges by a third party became a taxable service if the installation would have been subject to the sales tax when performed by the seller. If the seller of the item would be required to charge tax on an installation, a third party installer would also be required to charge tax on the installation. Subsequent removal and reinstallation charges of the same property for the same customer are not taxable.

Example 1: A cabin owner purchases a boat dock from a retailer, but hires a third party to install the dock. Since the installation charges would be taxable if the retailer/seller installs the dock, the third-party installation charges are taxable. Subsequent charges to remove the dock in the fall and reinstall the dock in the spring are not taxable.

Example 2: A federal government agency purchases a new computer system and has it installed. Since the sale of the computer to the federal government agency is exempt from sales tax, the installation charge is also exempt.

Example 3: Charges to install equipment that qualifies for a capital equipment refund are taxable. When the purchaser applies for a refund of the sales tax paid, the sales tax on the installation charge will be refunded as well since it is part of the sales price of the capital equipment.

Example 4: A business purchases an alarm security system and has it installed. Some components of the security system become real property while others, such as cameras and monitors, are taxable tangible personal property. The invoice breaks out charges for the various components of the system and the installation labor charges. If the charges for installing the taxable items and nontaxable items are broken out separately on the invoice to the customer, only the charge for installing the taxable equipment is taxable. If there is a single charge for installing all of the equipment, the entire installation charge is taxable.

Game farms, shooting preserves and hunting clubs

Admissions or membership fees charged by game farms, shooting preserves and hunting clubs for the privilege of hunting are subject to the Minnesota sales and use tax. The entire charge for the privilege of hunting at game farms, shooting preserves or hunting clubs is subject to the Minnesota sales and use tax including per bird or animal; additional bird or animal; or released bird or animal charges. Game farms, shooting preserves and hunting clubs are required to pay sales tax on their purchases of items that are consumed in the process of providing taxable services, including purchases of live birds or animals. However, retail sales of slaughtered, dressed and wrapped birds or animals, that are not sold as part of an admission or membership fee, are not subject to the Minnesota sales and use tax. For more information, see Revenue Notice #02-13.

Aggregate material and concrete block

Effective January 1, 2002, charges for delivery of taxable items, including aggregate material and concrete block, became taxable when performed and/or billed by the seller. Effective July 1, 2002, delivery of aggregate material and concrete block, when performed by someone other than the seller, became taxable if the delivery would have been subject to the sales tax when performed by the seller. For more information concerning delivery of aggregate material and concrete block, see Revenue Notice #02-17. For a definition of “aggregate material,” see Revenue Notice #02-12.

Prepared food

Taxable

Prepared food is taxable. All food sold with eating utensils (plates, knives, forks, spoons, glasses, cups, napkins or straws) provided by the seller is taxable prepared food. Prepared food also includes food that is sold in a heated state or heated by the seller, or two or more food ingredients are mixed or combined by the seller for sale as a single item.



Non-taxable

The following items are specifically exempted in the sales tax law:

- bakery items (unless sold with eating utensils);
- ready-to-eat meat and seafood in an unheated state sold by weight;
- eggs, fish, meat, poultry, and foods containing these raw animal foods that require cooking to prevent food borne illnesses; or
- food that is only cut, repackaged, or pasteurized by the seller. Examples are cheese and cold meat that are sliced or repackaged for sale.

Auction fees

Auctioneers sometimes add a “premium charge” to items sold at auctions. The premium charge is similar to a commission and increases the sales price of the item to the customer. The definition of sales

price includes *charges for services that are part of a sale, or any other expense whatsoever*, as part of the sales price of an item. An auctioneer premium charge is considered to be part of the sales price even if it is separately stated. If the item sold is subject to sales tax, the auctioneer premium is part of the sales price and is subject to sales tax.

Affiliate Nexus

The 2002 Legislature clarified the definition of “retailer maintaining a place of business in the state” to include an affiliate of a retailer, effective May 19, 2002. Affiliates are required to collect and remit Minnesota sales tax on sales made into Minnesota. An entity is an affiliate of a Minnesota business if the related entity promotes the affiliate’s business or provides services to the out-of-state entity and the retailer and entity are related parties. A retailer and entity are related parties if at least one of the following is true:

- one of the parties owns directly or indirectly at least 50 percent of the other party’s outstanding stock;
- one of the parties is a partnership estate or trust which owns directly or indirectly at least 50 percent of the capital, stock, or value of the other party; or
- an individual stockholder or the stockholder’s family owns directly or indirectly at least 50 percent of the value of outstanding stock of both entities.

For example, if two entities are related and the in-state entity advertises, promotes or facilitates the establishment or maintenance of a market in Minnesota for an out-of-state seller, the in-state entity creates nexus for the out-of-state seller. In addition, if the in-state entity provides services to the out-of-state seller, such as accepting returns from the seller’s customers, resolving complaints from the seller’s customers, etc., the in-state entity also creates nexus for the out-of-state seller. This is consistent with the body of judicial opinions that state that in-state entities that act for out-of-state sellers create nexus for the out-of-state sellers. In these examples, the out-of-state entity is required to collect and remit Minnesota sales tax on sales made into Minnesota.

Business Tax Education Partnership

2003 WINTER/SPRING SCHEDULE

Classes will be held this winter and spring throughout Minnesota.

For information, or to register for one or more of these free classes, please call 651-297-4213,
or e-mail us at: mdor.mbe@state.mn.us

Brainerd		
Basic sales & use tax	4/29/03	9 am - 12:30 pm
Duluth		
MN/WI border issues	3/4/03	9 am - 12:30 pm
Basic sales & use tax	5/6/03	9 am - 12:30 pm
Fargo, ND		
MN/ND border issues	5/13/03	9 am - 12:30 pm
Hudson, WI		
MN/WI border issues	3/11/03	9 am - 12:30 pm
Mankato		
Basic sales & use tax	3/4/03	9 am - 12:30 pm
Onalaska, WI		
MN/WI border issues	3/18/03	9 am - 12:30 pm
Rochester		
Basic sales & use tax	4/8/03	9 am - 12:30 pm
St. Cloud		
Basic sales & use tax	4/8/03	9 am - 12:30 pm
St. Paul		
Basic sales & use tax	2/4/03	9 am - 12:30 pm
Basic sales & use tax	2/25/03	9 am - 12:30 pm
Basic sales & use tax	3/1/03 (<i>Saturday</i>)	9 am - 12:30 pm
Basic sales & use tax	3/18/03	9 am - 12:30 pm
Basic sales & use tax	3/20/03	6 pm - 9:30 pm
Basic sales & use tax	4/22/03	9 am - 12:30 pm
Basic sales & use tax	4/29/03	6 pm - 9:30 pm
Basic sales & use tax	5/10/03 (<i>Saturday</i>)	9 am - 12:30 pm
Basic sales & use tax	5/20/03	9 am - 12:30 pm
Capital equipment/industrial production	2/11/03	9 am - 12:30 pm
Capital equipment/industrial production	5/13/03	9 am - 12:30 pm
Advertising rule	3/11/03	9 am - 12:30 pm
MN/SD border issues	4/9/03	9am - noon
MN/SD contractor issues	4/9/03	1 pm - 4 pm
Sioux Falls, SD		
MN/SD border issues	2/19/03	9 am - noon
MN/SD contractor issues	2/19/03	1 pm - 4 pm

We will also be offering employment tax classes this winter and spring. Please call or visit our web site at www.taxes.state.mn.us for more details.

MINNESOTA • REVENUE

Corporate and Sales Tax Division, St. Paul MN 55146-6330

2002 *Minnesota Sales Tax Newsletter*

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Revenue Notices

The following Revenue Notices relating to sales and use tax were issued since January 2002. These notices are either interpretations of law or statements of policy, procedures, or audit position. These notices are binding on the Department of Revenue, but not on taxpayers. They are published in the State Register. If you would like a copy of any of the notices listed, please call the Minnesota Bookstore at 651-297-3000 or toll-free at 1-800-657-3757, or find them on the Internet at www.taxes.state.mn.us

State Register				
<i>No.</i>	<i>Vol.</i>	<i>Issue</i>	<i>Date Issued</i>	<i>Title</i>
02-05	26	36	February 11, 2002	Transitional Period for Delivery Charges for Construction Materials; Revocation of Revenue Notice #01-11
02-07	26	51	May 20, 2002	Revocation of Revenue Notice 1992-27
02-08	26	53	June 12, 2002	Massage Services
02-09	27	2	June 20, 2002	Internet Access Charges
02-10	27	2	June 20, 2002	Single Member Limited Liability Companies
02-11	27	3	July 1, 2002	School Meals – Board Contracts at Colleges, Universities, or Private Career Schools
02-12	27	11	August 12, 2002	Taxable Services – Aggregate Materials
02-13	27	11	August 12, 2002	Game Farms, Shooting Preserves, and Hunting Clubs – Game Release Charges
02-14	27	11	August 12, 2002	Exemption for Purchases of Telecommunications Equipment Internet Service Providers
02-15	27	11	August 12, 2002	Copies of Scanned Documents
02-17	27	17	October 21, 2002	Taxable Sales – Delivery of Aggregate Materials and Concrete Block
02-18	27	18	October 28, 2002	Taxable Services – Tree, Bush, Shrub and Stump Removal: Revocation of Revenue Notice #92-12