

This publication focuses on the state sales and use tax that is imposed on sales and uses in the state of Minnesota. These taxes are governed by [Minnesota Statutes, chapter 297A](#).

## Tax Rate and Tax Base

The state general sales tax rate is 6.5 percent. However, a 2008 voter-approved, state constitutional amendment imposed an additional three-eighth cent general sales tax (0.375 percent), bringing the total sales tax rate to 6.875 percent.<sup>1</sup> The tax is imposed on all final sales and uses of tangible personal property and a limited number of services occurring within the state. The revenue collected from this tax is deposited into the state general fund.

## Exemptions and Taxable Services

Generally, goods are taxable unless specifically exempted by law. Some of the major exemptions include:

General Exemptions	Business Exemptions	Exemptions for Certain Entities
<ul style="list-style-type: none"> <li>▪ Food</li> <li>▪ Clothing</li> <li>▪ Home heating fuels</li> <li>▪ All drugs for human consumption</li> <li>▪ Newspapers and magazine subscriptions</li> <li>▪ Motor vehicles<sup>2</sup></li> <li>▪ Cigarettes<sup>3</sup></li> </ul>	<ul style="list-style-type: none"> <li>▪ Capital equipment</li> <li>▪ Farm machinery</li> <li>▪ Certain direct inputs to agricultural and industrial production</li> <li>▪ Certain direct inputs for some taxable services</li> <li>▪ Telecommunications equipment</li> <li>▪ Construction exemptions for certain businesses and nonprofits</li> </ul>	<ul style="list-style-type: none"> <li>▪ Purchases by most local governments, the federal government, and public libraries</li> <li>▪ Purchases by nonprofit charitable organizations, including hospitals</li> <li>▪ Certain sales made by nonprofit organizations</li> </ul>

<sup>1</sup> The rate increase is effective for 25 years with the revenues dedicated to funding outdoor heritage, clean water, parks and trails, and historical and cultural heritage. This increase will expire after June 30, 2034. The voter-approved amendment took effect July 1, 2009.

<sup>2</sup> Motor vehicles are subject to a comparable motor vehicle sales tax under [chapter 297B](#). For more information on taxes that apply to motor vehicle transactions, see the House Research publications [Motor Vehicle Sales Tax and Taxation of Motor Vehicle Leases](#).

<sup>3</sup> In 2005, cigarettes were exempted from sales tax and replaced with a price per pack tax at the wholesale level. For more information on cigarette taxes, see the House Research publication [Cigarette and Tobacco Excise Taxes and Fees](#).

Furthermore, services are not taxable unless specifically included by law. Examples of taxable services include lodging, laundry and cleaning services, pet grooming, lawn care, digital downloads, and telecommunications.

## Remote Sales

A remote seller is a retailer that does not have a physical presence in the state. The 2018 U.S. Supreme Court decision in *South Dakota v. Wayfair* allows states to require remote sellers to collect sales taxes if certain conditions are met. Prior to the *Wayfair* decision and since 1967, the Court held that remote sellers did not have to collect sales tax if they did not have a physical nexus to the taxing state because the imposition of tax would be a burden on interstate commerce. However, the Court in *Wayfair* overturned the physical nexus standard and instead imposed an economic nexus requirement that exempts remote sellers that make a de minimis amount of sales (typically less than 100 transactions or \$100,000 in sales in a year) from the requirement to collect and remit sales tax to a state. Thus, since October 2018, most remote sellers with more than a de minimis amount of sales into Minnesota must collect and remit sales tax.

## Streamlined Sales and Use Tax Agreement (SSUTA)

Prior to *Wayfair*, Minnesota took a number of actions to try to impose sales tax collection duties on remote sellers despite the established Supreme Court precedent. One of those steps was joining the Streamlined Sales Tax Project, which was a voluntary effort by many states to develop an agreement to simplify tax administration and collection among states and to develop standard definitions to be used by all states in defining their sales tax base. In November 2002, the final SSUTA was adopted by the project and Minnesota adopted the required legislation and became a full member state of the SSUTA.

By the time the Court decided *Wayfair*, Minnesota already had the structure in place to collect sales tax from remote sellers that were not already remitting the tax. As a member state of SSUTA, Minnesota provides access for remote sellers to use a free certified service provided to facilitate the collection and remittance of the tax (paid by the state), as well as provides simplified and standardized definitions of items within the sales tax base in statute.

## Local Sales Taxes

These taxes are imposed by local taxing jurisdictions and apply to any transaction to which the state sales tax applies and combine with the state tax to form one rate. There are general local sales taxes that apply to all transactions, as well as special local taxes that only apply to certain transactions. For more information on these taxes, see the House Research publications *Local Sales Taxes in Minnesota*, *County Transportation Taxes*, and *Special Local Taxes*.

## Use Tax

Like most states with a sales tax, Minnesota has a complementary “use tax.” If the seller does not collect the tax on a taxable item used in the state, the purchaser is responsible for submitting the tax owed. Most businesses pay use tax but few individuals do. In 1996, the state enacted a de minimis exemption for individuals. An individual does not owe a use tax unless his/her purchases subject to the use tax exceed \$770 per year (\$53 of tax liability).



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