



## MULTISTATE INDIRECT TAX

# Minnesota enacts retail delivery fee and other sales and use tax law changes

## Tax Alert

### Overview

On May 15, 2023, Minnesota House File 2335 ([H.F. 2335](#)) was enacted into law, and on May 24, 2023, Minnesota House File 2887 ([H.F. 2887](#)) and House File 1938 ([H.F. 1938](#)) were enacted. All three bills included changes to Minnesota's sales and use tax laws.

This Tax Alert summarizes some of the sales and use tax provisions in H.F. 2335, H.F. 2887, and H.F. 1938.

### Retail delivery fee

Effective July 1, 2024, H.F. 2887 provides for a retail delivery fee imposed on each retailer equal to \$0.50 on each transaction above \$100 involving retail delivery in Minnesota. A retail delivery is defined as a delivery to a person located in Minnesota of tangible personal property subject to sales tax, including clothing. The retailer may, but is not required to, collect the fee from the purchaser.

A retail delivery does not include the following:

- (1) pickup at the retailer's place of business and curbside delivery;
- (2) a retail delivery resulting from a retail sale of food and food ingredients or prepared food; a retail delivery resulting from a retail sale by a food or beverage service establishment, regardless of whether the retail delivery is made by a third party other than the food and beverage establishment; and,
- (3) a retail delivery resulting from a retail sale of drugs and medical devices, accessories and supplies, or baby products.

H.F. 2887 provides an exemption from the retail delivery fee for retailers that made retail sales totaling \$1 million or less in the previous calendar year. An exemption also applies to marketplace providers who facilitated sales of a retailer making sales of \$100,000 or less in the previous calendar year.

## Sales and use tax exemptions

### Natural gas fees

Effective retroactively for fees applied to sales and purchases of natural gas that are billed from September 1, 2021, to December 31, 2026, H.F. 1938 provides that certain fees related to natural gas sold for use as a primary source for residential heating are exempt from the sales and use tax for the billing periods of May to October each year.

To qualify for the exemption, the fees for natural gas must be subject to a cost recovery plan for the price increase in natural gas during the period February 13, 2021, to February 17, 2021 and separately stated and labelled as such. For fees exempt from September 1, 2021, to June 30, 2023, the utilities must apply for a refund and credit them to the applicable customers.

### Sale of a disregarded limited liability company

Effective for sales made after June 30, 2023, H.F. 1938 provides a sales tax exemption for the sale of tangible personal property primarily used in a trade or business if the sale is not made in the normal course of business of selling that kind of property and the sale is between a sole member of a disregarded limited liability company ("LLC") and the disregarded LLC.

### Sales of construction materials

H.F. 1938 provides a temporary sales and use tax exemption for building, construction, or reconstruction materials, supplies, and equipment purchased by a contractor and used or consumed or incorporated into certain buildings or facilities used principally by specified cities, counties, townships, public school districts, special districts, nonprofit hospitals and nursing homes, public libraries, nonprofit groups, and nonprofit hospitals and outpatient surgical centers. H.F. 1938 provides varying effective dates based on the jurisdiction.

H.F. 1938 also provides for other additional sales and use tax exemptions related to secure firearm units, admissions amenities, and sales to nonprofit blood centers.

## Additional Minneapolis-St. Paul metropolitan area sales and use taxes

Effective for sales and purchases made after October 1, 2023, H.F. 2335 and H.F. 2887 provide for a sales and use tax of 0.25% and a regional transportation sales and use tax of 0.75%, respectively, on retail sales made in the Twin Cities metropolitan area or to a destination in the Minneapolis-St. Paul metropolitan area, in addition to existing local sales and use taxes. The tax applies on the same base as the state sales and use tax.

### Get in touch

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