Local Use Tax

What is the local use tax?

The local use tax is similar to a sales tax. The rates are identical, but the use tax is applied to taxable purchases that were not taxed at the local sales tax rate (for instance, items purchased out-of-state).

The State of Minnesota applies a 6.5-percent tax on taxable purchases within the state (this is the sales tax) and also on taxable purchases made by its residents and businesses outside of the state (this is the use tax). The City of Minneapolis applies an additional 0.5-percent tax to taxable purchases within its city limits (sales tax) and also to taxable purchases made by its residents and businesses outside of city limits (use tax).

Do I owe local use tax?

You or your business may owe local use tax. If you buy goods or services for personal use for a total of more than $770 outside of the City of Minneapolis within one calendar year, those purchases are subject to the 0.5-percent local use tax. If your business buys, leases or rents taxable goods or services used in your business, they are subject to local use tax either with the purchase or by April 15 the next year. Local use tax may also be due when your business brings items into Minneapolis or takes items out of inventory into a taxable use.

To determine if you or your business owes local use taxes, please refer to the Minnesota Department of Revenue sales tax fact sheets at www.taxes.state.mn.us/taxes/sales/publications/sales_pub.shtml (fact sheet #146 for businesses, #156 for individuals.)

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How do I pay my local use tax?

Local use tax is collected annually by the state. It is due April 15 for all taxable purchases made within the previous calendar year, if the seller did not collect use tax at the time of sale.

To calculate the amount of local use tax that you or your business owes, please:

For individuals
Complete Form UT-1,
Individual Use Tax Return at:
www.taxes.state.mn.us/taxes/forms/ut1.pdf

For businesses
See the Minnesota Sales and Use Tax
Instruction Booklet at:
www.taxes.state.mn.us/instructions/st_bk04.pdf

Or get a form by calling the
Minnesota Department of Revenue
at **(651) 296-6181**
(TTY users, call 711 for Minnesota Relay).

If you need this material in an alternative format, please contact Finance at (612) 673-2004.

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