Transit Improvement Sales, Use and Vehicle Excise Tax
Begins July 1, 2008

Transit Improvement 0.25% sales and use tax
Beginning July 1, 2008, five counties in the metropolitan area will have a one quarter of one percent sales and use tax. The five participating counties listed below will be referred to as the “transit tax area” in this publication:

- Anoka County
- Dakota County
- Hennepin County
- Ramsey County
- Washington County

The tax will be administered by the Minnesota Department of Revenue. The tax will be used to fund improvements to the transit system, including light rail, commuter rail and bus rapid transit.

The Transit Improvement tax is one tax for all five counties – not five separate taxes. This tax is separate and in addition to the Hennepin County, St. Paul and Minneapolis sales and use taxes that already exist. It does not replace these taxes.

The sales tax applies to retail sales made within the transit tax area. The use tax applies to taxable items used in the transit tax area if the Transit Improvement sales tax was not paid. The tax applies to the same items that are taxable under the Minnesota sales and use tax law.

Fact Sheet 164, Local Sales and Use Taxes, contains more information about local taxes, and is available on our web site.

Use tax
Transit Improvement use tax applies when you are located in the transit tax area and you buy items or services without paying Transit Improvement sales tax to the vendor. 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 you owe use tax are when:

- You buy items on the internet, by phone, or from any business and the seller doesn’t charge Transit Improvement sales tax, and you use the item for business or personal use in the transit tax area.
- You buy items for resale at your business, then remove some of the items from inventory for business or personal use in the transit tax area.

Reporting the tax
Transit Improvement sales and use tax is reported at the same time you report your Minnesota sales and use tax, but the figures are reported separately. There is one line to report Transit Improvement sales and a different line to report Transit Improvement use tax.

Figuring the tax
The Transit Improvement tax rate is one quarter of one percent (.25 percent or .0025). To figure the tax, combine the state sales tax rate (6.5 percent) and the Transit Improvement rate (0.25 percent), apply the combined rate (6.75 percent) to the sales price and round to the nearest full cent. If you are in Minneapolis, St. Paul, or Hennepin County, additional local taxes apply. New rate charts at various combination rates are on our web site. If you would like paper rate charts mailed to you, contact our office and specify what rate charts you need.

Charge Transit Improvement sales tax to customers from in or outside the transit tax area who pick up items in the transit tax area for business or personal use, even if the items are taken out of the transit tax area.

Charge Transit Improvement sales tax to customers from in or outside the transit tax area if you perform taxable services, such as dry cleaning or car washing, for them in the transit tax area.

Do not charge Transit Improvement sales tax on sales of taxable items to customers outside the transit tax area when you deliver the items to them by means of your own vehicle, common carrier, U. S. mail, or parcel post.

Exemption certificates
If your customer gives you a fully completed exemption certificate for state sales tax, also use that certificate as proof of exemption from the Transit Improvement sales tax.

Local governments
Local governments are not required to pay local general sales taxes. Local governments include cities, towns, counties, instrumentalities, political subdivisions, commissions, special districts and government boards. No exemption certificate is necessary. However, state sales tax generally applies.
Vehicle sales

Transit Improvement Vehicle Excise Tax
Instead of the Transit Improvement sales tax, a $20 Transit Improvement vehicle excise tax applies to sales of motor vehicles registered for road use. This excise tax must be collected by any person in the business of selling new or used motor vehicles at retail when the sale occurs in the transit tax area.

Vehicle definition
Motor vehicle means any self-propelled vehicle required to be licensed for road use and any vehicle propelled or drawn by a self-propelled vehicle required to be licensed for road use. It includes vehicles such as cars, vans, pickups, trailers, and motorcycles. It does not include snowmobiles or manufactured homes.

Who must collect the tax
The $20 excise tax must be collected by any person in the business of selling new or used motor vehicles at retail when the sale occurs in the transit tax area. This tax is different than most taxes that apply to vehicles. This tax must be collected by the seller if the vehicle is sold in the transit tax area. The $20 tax applies even if the buyer is from out of state and will take the vehicle out of Minnesota for registration. The $20 tax is not connected to registration, but rather to the sale. The Deputy Registrar does not collect this tax.

Where to report and remit the tax
This excise tax must be reported on your electronic sales tax return at the same time you report your Minnesota sales and use tax. You fill in the number of vehicles sold on the transit tax vehicle line and the system will automatically calculate the $20 excise tax for each vehicle. Remit the tax along with the other state and local sales and use tax that is due.

Registration
If you are in the business of selling new or used motor vehicles at retail, you must collect and remit this excise tax. We have automatically registered many dealers for the Transit Improvement excise tax.
- If you received a separate letter notifying you that you are automatically registered for the vehicle excise tax, your return will include a line for you to report the number of motor vehicles sold in the transit tax area, beginning with your July 2008 return.
- If you did not receive a letter notifying you that you are automatically registered for the tax, see “How to register” on page four of this notice.

Who is exempt?
Individuals, institutions, businesses, non-profit organizations, and state and local government agencies must pay the excise tax. Only the following are exempt:
- Federal government agencies,
- Vehicles that are not required to be licensed for road use, such as marked police cars, fire trucks and ambulances,
- Vehicles for resale.

Vehicles delivered into another area
Since the sale occurs where the purchaser takes possession of the vehicle, the following guidelines apply:
- If the vehicle is sold in the transit tax area but is delivered out of the transit tax area, the $20 excise tax does not apply. For example, a dealer in St. Paul, MN sells the car at the dealership, but delivers it to Hudson, WI, so the $20 excise tax does not apply. Since the customer takes possession of the car outside the transit tax area, the sale occurs outside the transit tax area and the tax does not apply.
- If the vehicle is sold outside the transit tax area but is delivered into the transit tax area, the $20 excise tax applies. For example, a dealer in Hudson, WI sells the car at the dealership, but delivers it to St Paul, MN, so the $20 excise tax applies. Since the customer takes possession of the car within the transit tax area, the sale occurs in the transit tax area and the tax applies.

Leased vehicles
The $20 excise tax does not apply to leased vehicles. If the lease is for a vehicle that requires an up-front payment of state sales tax, Transit Improvement sales tax is also due up-front for leases entered into July 1, 2008, or after, if the vehicle is principally garaged in the transit tax area.
How to handle transitional sales

**Tangible items**
Transit Improvement tax does not apply to sales of tangible items or vehicle sales if you have a bona fide written contract enforceable before July 1, 2008, and the items are delivered on or before July 31, 2008.

**Service contracts**
If there is an enforceable contract for taxable services in effect before July 1, 2008, and payment is made before July 1, 2008, Transit Improvement sales tax does not apply to services provided through July 31, 2008. Beginning August 1, 2008, Transit Improvement sales tax applies regardless of when the contract was entered into or when payment was made.

**Leases**
Transit Improvement sales tax does not apply to lease payments that include periods before July 1, 2008. It does apply to lease payments for periods beginning July 1, 2008, or after. If the lease is for a vehicle that requires an up-front payment of state sales tax, Transit Improvement sales tax is also due up-front for leases entered into July 1, 2008, or after, if the vehicle is principally garaged in the transit tax area.

**Utility sales**
Transit Improvement tax does not apply to utility bills that include charges for service for any date before July 1, 2008. It does apply to utility bills for service periods beginning July 1, 2008, or after.

**Admission tickets**
If admission tickets are purchased and paid for before July 1, 2008, the Transit Improvement sales tax does not apply, even if the event occurs July 1, 2008, or after.

**Construction contracts**
*New procedure! To claim exemption, contractors and subcontractors must now use Form ST3 (Revised 6/08), which is now available on our web site. No need to apply to our office for an ST8 Contractors Exemption Certificate, as was done in the past.*

Transit Improvement sales and use taxes do not apply to building materials for a lump-sum construction contract in force before July 1, 2008, if delivery is made before December 31, 2008. To qualify for the exemption:
- the construction contract must be signed and in force before July 1, 2008;
- the contract must be a bona fide written lump-sum or fixed-price construction contract (meaning that the contractor is locked into a price for completing the contracted work, with no provision for an increase in the price due to tax increases); and
- the building materials must be used exclusively on the qualifying contract and delivered before December 31, 2008. Purchases delivered after that date are subject to Transit Improvement sales tax.

**Documentation.** You must have the documentation described below in your records to verify the exemption:
- the owner (the person contracting for the work);
- the name, location of the project, and contract or project number;
- the contract price and payment terms;
- the date of the contract and signatures; and
- a listing of subcontractors with qualifying contracts.

To claim exemption, give a fully completed Form ST3, Certificate of Exemption, to each supplier. Suppliers must keep all exemption certificates. **Do not** send exemption certificates to the Department of Revenue.

**Reminder:** When the conditions above are followed, only the Transit Improvement tax is exempt. State and other local sales and use taxes still apply.
Transit Improvement Tax Begins July 1, 2008

For others who need to register

Who must be registered
All retailers who are registered to collect Minnesota sales tax and are doing business in the transit tax area (Anoka, Dakota, Hennepin, Ramsey, and Washington counties) must be registered to collect the Transit Improvement tax. This includes sellers outside the transit tax area who:

• have an office, distribution, sales, sample, or warehouse location, or other place of business in the transit tax area either directly or by a subsidiary;

• have a representative, agent, salesperson, canvasser, or solicitor in the transit tax area, either on 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 taxable goods or services, or leasing tangible personal property in the transit tax area;

• ship or deliver tangible personal property into the transit tax area; or

• perform taxable services in the transit tax area.

How to register
To register for any of the Transit Improvement taxes:

• Log into e-File Minnesota. Click on “Update business information” on the Main Menu page. Click on the “Sales and use tax” link in the left sidebar. Click “Continue” to advance to the “Additional taxes” page and add Transit Improvement sales and/or excise tax.

• If you file over the internet, you may register for the Transit Improvement taxes on-line when you file your July 2008 sales tax return. On the “File a return” page, before you enter your figures, click “Add a sales tax type” and check the box for Transit Improvement sales, use or excise tax.

• If you file by phone, you must register for Transit Improvement taxes before you file your return. Call 651-282-5225 or toll free 1-800-657-3605 or e-mail us at salesuse.tax@state.mn.us to register. Be sure to include your Minnesota tax ID number if you send us an e-mail.

Information and assistance

Call: 651-296-6181 or toll free 1-800-657-3777
Fax: 651-556-3102
E-mail: salesuse.tax@state.mn.us
Web site: www.taxes.state.mn.us
Write: Minnesota Revenue
Sales and Use Tax Division
Mail Station 6330
St. Paul, MN 55146-6330

Updated: 6/25/08
Cities and towns in the transit improvement tax area

Afton  Denmark  Inver Grove Heights  Minnetonka  Scioita
Andover  Douglas  Lake Elmo  Minnetonka Beach  Shoreview
Anoka  Eagan  Lake St. Croix Beach  Minnetrista  Shorewood
Apple Valley  East Bethel  Lakeland  Mound  South St. Paul
Arden Hills  Eden Prairie  Lakeland Shores  Mounds View  Spring Lake Park
Bayport  Edina  Lakeville  New Brighton  Spring Park
Baytown  Empire  Landfall  New Hope  St. Anthony
Bethel  Eureka  Lauderdale  New Trier  St. Bonifacius
Birchwood Village  Excelsior  Lexington  Newport  St. Francis*
Blaine  Falcon Heights  Lilydale  Ninninger  St. Louis Park
Bloomington  Farmington  Lino Lakes  North Oaks  St. Mary’s Point
Brooklyn Center  Forest Lake  Linwood  North St. Paul  St. Paul
Brooklyn Park  Fort Snelling  Little Canada  Northfield*  Stillwater
Burns  Fridley  Long Lake  Oak Grove  Sunfish Lake
Burnsville  Gem Lake  Loretto  Oak Park Heights  Tonka Bay
Castle Rock  Golden Valley  Mahtomedi  Oakdale  Vadnais Heights
Centerville  Grant  Maple Grove  Orono  Vermillion
Champlin  Greenfield  Maple Plain  Osseo  Waterford
Chanhassen*  Greenvale  Maplewood  Pine Springs  Wayzata
Circle Pines  Greenwood  Marine on St. Croix  Plymouth  West Lakeland
Coates  Grey Cloud Island  Marine  Ramsey  West St. Paul
Columbia Heights  Ham Lake  Marshall  Richfield  White Bear
Columbus  Hampton  May  Robbinsdale  White Bear Lake
Coon Rapids  Hanover*  Medicine Lake  Rockford*  Willernie
Corcoran  Hassan  Medina  Rogers  Woodburn
Cottage Grove  Hastings  Mendota  Rosemount  Woodbury
Crystal  Hilltop  Mendota Heights  Roseville  Woodland
Dayton  Hopkins  Miesville  Scandia
Deephaven  Hugo  Minneapolis
Dellwood  Independence

*Part of this city is outside the five county taxing area. Transit Improvement taxes only apply to addresses within the five counties.

Updated: 5/20/08
### Zip codes in the transit improvement tax area

The general zip codes for the metro tax area are listed below. Unfortunately, zip codes do not correspond exactly with the county boundaries, so some zip code areas are partly inside and partly outside the area. Zip codes that are outside of the metro tax area are not listed.

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*Part of this zip code is outside the five county taxing area. Transit Improvement taxes only apply to addresses within the five counties.

There are several “unique” zip codes listed above that are for specific businesses. For example, banks and department stores in downtown Minneapolis may have their own zip code.

*Updated: 5/20/08*