

Austin 0.5% Sales and Use Tax Automatic Registration

Beginning April 1, 2007, the city of Austin will have a one half of one percent sales and use tax that will be administered by the Minnesota Department of Revenue. The tax will be used to fund flood mitigation projects.

The *sales tax* applies to retail sales made within the city limits of Austin. The *use tax* applies to taxable items used in Austin if the local sales tax was not paid. The tax applies to the same items that are taxable under the Minnesota sales and use tax law.

Vehicle sales. Austin sales and use tax does not apply to sales of motor vehicles registered for road use. For leased vehicles, see "Leases" on the next page.

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

Austin automatic registration

As a convenience, *we've automatically registered all sales tax accounts with the zip code 55912 for Austin sales and use tax.* You don't need to do anything more to register. Beginning April 1, 2007, you will automatically have new lines on your electronic return to report Austin sales and use tax.

All retailers who are registered to collect Minnesota sales tax and are doing business in Austin must be registered to collect the Austin city tax. This includes sellers outside Austin who:

- have an office, distribution, sales, sample, or warehouse location, or other place of business in Austin either directly or by a subsidiary;
- have a representative, agent, salesperson, canvasser, or solicitor in Austin, 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 Austin;
- ship or deliver tangible personal property into Austin; or
- perform taxable services in Austin.

Use tax

Austin use tax applies when you are located in Austin and you buy items or services without paying Austin 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 use tax are:

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

Figuring the tax

To figure the tax, combine the state sales tax rate (6.5 percent) and the Austin rate (0.5 percent), apply the combined rate (7 percent) to the sales price and round to the nearest full cent. A 7 percent rate chart is enclosed. Additional rate charts printed on heavy paper are available upon request.

Charge Austin sales tax to customers from in or outside the city who *pick up* items in Austin for business or personal use, even if the items are taken out of the city.

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

Do **not** charge Austin sales tax on sales of taxable items to customers outside Austin when:

- you deliver the items to them by means of your own vehicle, common carrier, U. S. mail, or parcel post;
- you sell to motor carrier direct pay certificate holders.

Local governments

Local governments are **not** required to pay local 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.

Exemption certificates

If your customer gives you a fully completed exemption certificate for state sales tax, you should also use that certificate as proof of exemption from Austin sales tax.

How to handle transitional sales

Tangible items

Austin sales tax does not apply to sales of tangible items if you have bona fide written contracts enforceable before April 1, 2007, and the items are delivered on or before June 30, 2007.

Service contracts

If there is an enforceable contract for taxable services in effect before April 1, 2007 and payment is made before April 1, 2007, Austin sales tax does not apply to services provided through June 30, 2007. Beginning July 1, 2007, Austin sales tax applies regardless of when the contract was entered into or when payment was made.

Leases

Austin sales tax does not apply to lease payments that include periods before April 1, 2007. It does apply to lease payments for periods beginning April 1, 2007, or after. If the lease is for a vehicle that requires an up-front payment of state sales tax, Austin sales tax is also due up front for leases entered into April 1, 2007, or after, if the vehicle is principally garaged in Austin.

Utility sales

Austin sales tax does not apply to utility bills that include charges for service for any date before April 1, 2007. It does apply to utility bills for service periods beginning April 1, 2007, or after.

Admission tickets

If admission tickets are purchased and paid for before April 1, 2007, the Austin sales tax does not apply, even if the event occurs April 1, 2007 or after.

Construction contracts

Austin sales tax does not apply to building materials for a lump sum construction contract in force before April 1, 2007, if delivery is made before September 30, 2007.

To qualify for the exemption:

- the construction contract must be signed and in force before April 1, 2007;
- 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 September 30, 2007. Purchases delivered after that date are subject to Austin sales tax.

To apply: the contractor may apply for this exemption by sending a letter with the entire construction contract, or the portion of the contract that includes the items listed below. You may send this via e-mail or by letter to the address below. If you send a letter and the contract is bulky, we recommend that you send the contract portion on a CD or disc.

Documentation must include the contractor's Minnesota ID# and the following information from the construction contract:

- the contractor's name and address;
- 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.

The Department of Revenue will review the documentation and if it qualifies, will send the contractor the ST-8 exemption certificate. The contractor should give copies of the ST-8 exemption certificate to suppliers when purchasing qualifying materials or leasing equipment. The suppliers must keep all exemption certificates. Do not send exemption certificates to the Department of Revenue.

The contractor should also give copies of the ST-8 to their subcontractors for them to give to their suppliers to claim exemption from Austin tax on qualifying purchases.

If the contract does not qualify, we will send a letter explaining why it does not qualify.

Contact our office

Call: 651-296-6181

Fax: 651-556-3102

E-mail: salesuse.tax@state.mn.us

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