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March 4, 2014

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E001/M-14-105

Dear Dr. Haar:

Attached are the Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department), in the following matter:

Interstate Power and Light Company's (IPL or the Company) Filing to the Minnesota Public Utilities Commission (Commission) to Update the Company's Electric Tariff Charges.

The *Petition* was filed on February 3, 2014 by:

Paula N. Johnson
Senior Attorney – Regulatory
Interstate Power and Light Company
Alliant Tower
200 First Street S.E.
P.O. Box 351
Cedar Rapids, Iowa 52406-0351

As discussed in greater detail in the attached Comments, the **Department requests that IPL provide in Reply Comments** its legal basis or analysis for the Company's apparent claim that the Company is not required to seek and obtain the Commission's approval prior to imposing local taxes on customers and prior to including such taxes in its utility tariff book.

Sincerely,

/s/ MICHAEL N. ZAJICEK
Rates Analyst

MNZ/lt
Attachment



BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE MINNESOTA DEPARTMENT OF COMMERCE DIVISION OF ENERGY RESOURCES

DOCKET No. E001/M-14-105

I. BACKGROUND

On February 3, 2014, Interstate Power and Light Company (IPL or the Company) filed a request with the Minnesota Public Utilities Commission (Commission) for approval to update the Company's electric tariff. Specifically IPL requested to update its Tax Adjustment Rider tariff to address new local sales taxes in the City of Medford and Olmsted County. IPL requested that this adjustment be effective April 4, 2014. IPL noted that an existing local sales tax for the City of Albert Lea is included in their tariff.

Table 1: Sales Taxes to be Added to IPL's Electric Tariff

Local Entity	Sales Tax
The City of Medford	0.50%
Olmsted County	0.25%

II. DEPARTMENT ANALYSIS

Through its response to information requests, the Company confirmed that these sales taxes had been implemented by their respective government bodies prior to IPL's initial filing. The sales tax for the City of Medford went into effect on April 1, 2013, while the Olmsted County sales tax began January 1, 2014. Upon request, IPL provided documentation confirming the implementation of these sales taxes¹ and information to demonstrate that the taxes are listed as a

¹ See Department IR 1, labeled Attachment 1

separate line item on the customer's bill.² Furthermore, IPL confirmed that customers using electricity as a primary heating method are not charged sales tax by the Company during winter months, in compliance with Minnesota Statute §297A.67, subd. 15 part 3 and Minnesota Statute §297A.99, subd. 7(a), and explained IPL's current method for complying with these Statutes.³ In response to information requests from the Department, IPL provided documentation to show that these taxes have been collected by the Company since their inception, and paid to the relevant governing bodies through the State of Minnesota without prior Commission notice or approval.⁴ Minnesota Statutes §216B.05, subd. 1 states:

Every public utility shall file with the commission schedules showing all rates, tolls, tariffs, and charges which it has established and which are in force at the time for any service performed by it within the state, or for any service in connection therewith or performed by any public utility controlled or operated by it.

Further, Minnesota Statutes §216B.16, subd. 1 states, in part:

Unless the commission otherwise orders, no public utility shall change a rate which has been duly established under this chapter, except upon 60 days' notice to the commission. The notice shall include statements of facts, expert opinions, substantiating documents, and exhibits, supporting the change requested, and state the change proposed to be made in the rates then in force and the time when the modified rates will go into effect.

The Department notes that there are many local sales taxes in place within the state.⁵ Further, it appears that not all, or perhaps in some cases none, of these taxes are included in utility tariff books. Considered in the context of the statutes quoted above, it is not clear that local taxes are considered "rates, tolls, tariffs, and charges" and/or a "rate which has been duly established under [Chapter 216B]." Therefore, a question arises as to whether Commission authorization is required before utilities are allowed to collect new local sales taxes from customers. Further, while the Department does not oppose including all helpful and relevant information in utility tariffs, particularly regarding charges included on customer bills, it is more likely that a customer would turn to the local governing unit imposing the tax, rather than the utility, for information regarding a local tax. Therefore, the Department requests that IPL provide its legal basis or analysis for the Company's apparent claim that the Company is not required to seek and obtain the Commission's approval prior to imposing local taxes on customers and prior to including such taxes in its utility tariff book.

² See Department IR 2, labeled Attachment 2

³ See Department IR 3, labeled Attachment 3

⁴ See Department IR 2, labeled Attachment 2

⁵ See Attachment 4 for a list of local Sales and Use Taxes in the State of Minnesota, as provided by the Minnesota Department of Revenue Sales Tax Fact Sheet #164.

III. DEPARTMENT RECOMMENDATION

The Department requests that IPL provide in Reply Comments its legal basis or analysis for the Company's apparent claim that the Company is not required to seek and obtain the Commission's approval prior to imposing local taxes on customers and prior to including such taxes in its utility tariff book.

/lt

**Response of
Interstate Power and Light Company
to
Minnesota Department of Commerce
Division of Energy Resources
Information Request No. 1**

Docket No.: E001/M-14-105
Date of Request: February 10, 2014
Response Due: February 21, 2014
Information Requested By: Michael Zajicek
Date Responded: February 21, 2014
Author: David Samek
Author's Title: Sr. Reg. Affairs Consultant
Author's Telephone No.: (319) 786-4131
Subject:
Reference: Petition in Docket No. E001/M-14-105

Information Request No. 1

In its Initial Filing Interstate Power and Light submitted revised tariff documents indicating the addition of local taxes for electric service furnished within Medford and Olmstead County. No documentation was included to confirm the implementation of the tax by the relevant local governing bodies.

Please provide:

- A. City documents confirming the implementation of the sales tax for Medford, including the applicable date, and;
- B. County documents confirming the implementation of the sales tax for Olmstead County.

Response:

- A. Please see Attachment A to this information request, which is the Medford City ordinance establishing a sales and use tax for the city. As additional support, IPL has also included the Minnesota Revenue Department fact sheet for Medford as Attachment B.
- B. Please see Attachment C to this information request, which is a copy of the Olmsted County website noticing the imposition of a transit sales and use tax. As additional support, IPL has also included the Minnesota Revenue Department fact sheet for Olmsted County as Attachment D.

**AN ORDINANCE CREATING SECTION 7.10 OF THE MEDFORD CITY CODE
REGARDING THE ESTABLISHMENT OF A SALES AND USE TAX**

THE CITY COUNCIL OF THE CITY OF MEDFORD DOES ORDAIN:

Medford City Code Chapter 7 is hereby amended by inserting the following Section 7.10:

“SECTION 7.10. SALES AND USE TAX

Subdivision 1. Authority.

The Minnesota Legislature has, by Laws of Minnesota 2011, 1st Special Session, Chapter 7, Article 4, Section 15, authorized the city to impose a 0.5% sales and use tax to repay loans received from the Minnesota Public Facilities Authority since 2007 that were used to finance \$4,200,000 of improvements to the city's water and wastewater systems. The city approved the act in accordance with applicable law.

Subdivision 2. Definitions.

The words, terms and phrases used in this subchapter shall have the meaning ascribed to them in M.S. Ch. 297A, except where the context clearly indicates otherwise. In addition, the following definitions shall apply:

1. Act. “Act” means Laws of Minnesota 2011, 1st Special Session, Chapter 7, Article 4, Section 15.
2. City. “City” means the City of Medford, Minnesota.
3. Commissioner. “Commissioner” means the Commissioner of Revenue for the State of Minnesota, acting under the authority of an agreement entered into between the city and the state pursuant to the act, or such other person or entity designated to administer and collect the sales and use tax.
4. Retailer Maintaining a Place of Business in the City or Any Like Term. “Retailer” maintaining a place of business in the city or any like term means any retailer having or maintaining within the city, directly or by a subsidiary or an affiliate, an office, place of distribution, sales or sample room or place, warehouse or other place of business, or having any representative, including an affiliate, agent, sales person, canvasser or solicitor operating in the city under the authority of the retailer or its subsidiary, for any purpose, including the repairing, selling, delivering, installation or soliciting of orders of the retailer's goods or services, or the leasing of tangible personal property located in the city, whether the place of business or agent, representative, affiliate, sales person, canvasser or solicitor is located in the city permanently or temporarily, or whether or not the retailer or subsidiary is authorized to do business within the city.
5. Sales and Use Tax. “Sales and Use Tax” means the Medford sales and use tax imposed and collected pursuant to this section.
6. Section. “Section” means Section 7.10 in its present form, and as subsequently codified in the Medford City Code.

Subdivision 3. Imposition of Tax

Except as otherwise provided in this section, there is hereby imposed an additional excise tax in the amount of 0.5% of the gross receipts from the sales at retail, and the storage, use, distribution or consumption of goods or services that are taxable pursuant to M.S. Ch. 297A, and occur within the city. The imposition, administration, collection and enforcement of this tax shall be governed by the provisions of M.S. Chs. 297A, 270C and 289A.

Subdivision 4. Separate Statement; Collection from Purchaser; Advertising No Tax; Minimum Uniform Tax Collection Methods.

The sales and use tax shall be stated and charged separately from the sales price or charge for service insofar as practical, and should be a debt from the purchaser to the seller recoverable at law in the same manner as other debts. In computing the tax to be collected as a result of any transaction, any amount of tax less than \$0.005 may be disregarded, and amounts of tax \$0.005 or more may be considered an additional cent. If the sales price of any sale at retail is \$0.99 or less, no tax shall be collected.

Subdivision 5. Exemption Certificates.

A fully completed exemption certificate taken from a purchaser to the effect that the property purchased is for resale or that the sale is otherwise exempt from the application of the tax imposed by this section will conclusively relieve the retailer from collecting and remitting the tax to the extent the seller is also relieved of liability for the sales tax under Minnesota Statutes, Section 297A.665. A person who has obtained from the Commissioner an exemption certificate pursuant to the M.S. Ch. 297A may use such exemption certificate for the purposes of the sales and use tax imposed by the city.

Subdivision 6. Presumption of Purpose of Sale.

For the purpose of the proper administration and enforcement of Subdivision 3, it shall be presumed that all retail sales for delivery in the city are for storage, use or other consumption in the city until the contrary is established.

Subdivision 7. Collection at Time of Sale.

A. Any retailer making deliveries within the city, any retailer maintaining a place of business in the city, or any other retailer otherwise doing business within the city, upon making sales or any items described in Subdivision 3 that are not exempted from the sales tax imposed under that section, and that are to be delivered or caused to be delivered within the city to the purchaser, shall at the time of making such sales collect the sales and use tax from the purchaser. The tax collected by such retailer shall be remitted to the Commissioner on behalf of the city.

B. Any retailer required to collect the sales and use tax, and remit such tax to the Commissioner pursuant to this section, shall register with the Commissioner and provide such other information as the Commissioner may require.

Subdivision 8. Agent of Retailer.

When, in the opinion of the Commissioner, it is necessary for the efficient administration of the tax, the Commissioner may disregard any salesman, representative, trucker, peddler or canvasser as the agent of the dealer, distributor, supervisor, employer or other person under whom such salesman, representative, trucker, peddler or canvasser operated, or from whom the tangible property is being sold is obtained, and may regard the dealer, distributor, supervisor, employer or other person as a retailer for the purposes of this section.

Subdivision 9. Effective Date; Transitional Sales.

Except as otherwise provided herein, the sales and use tax authorized by this section shall apply to sales made on or after April 1, 2013, and shall be in addition to all other taxes now in effect. The sales and use tax shall not apply to the following:

1. The gross receipts from the purchase or lease of tangible personal property made under an enforceable contract entered into before April 1, 2013, provided that delivery or possession of items is taken on or before June 30, 2013.
2. The gross receipts from the purchase of taxable services, including utility services, if the billing period includes charges for services furnished before and after April 1, 2013. However, the sales and use tax shall apply to all purchases of taxable services, including utility services, if the billing period begins with services furnished on or after April 1, 2013.
3. The gross receipts from the purchase of construction materials used to complete a lump sum or fixed price construction contract that was signed and enforceable before April 1, 2013, and that does not provide for an allocation of future taxes, provided that the construction materials are used exclusively in performing the contract and the materials are delivered before October 1, 2013.

Subdivision 10. Collection and Enforcement.

The sales and use tax imposed by the city pursuant to this section shall be subject to the same interests, penalties and other rules as are applicable to the state general sales tax imposed by M.S. Chs. 289A and 297A. The sales and use tax imposed by the city pursuant to this section may be collected by the state on behalf of the city as provided by an appropriate agreement with the Minnesota Commissioner of Revenue. The City sales and use tax imposed under this section shall expire at the earlier of (1) 20 years after the date the taxes are first imposed, or (2) when the City Council determines that the amount of revenues received from the tax equals or exceeds the sum of loans made to the city by the Minnesota Public Facilities Authority as described in subdivision 1, including interest on the loans. Any funds remaining after completion of the repayment of the loans may be placed in the general fund of the city. The tax imposed under subdivision 3 may expire at an earlier time if the city so determines by ordinance.

Subdivision 11. Tax Clearance Issuance of Licenses.

The city may not issue or renew a license for the conduct of trade or business in the city if the Commissioner notifies the city that the applicant for such license owes delinquent sales and use taxes as provided in this section, or penalties or interest due on such taxes.

A. For the purposes of this subdivision, the following terms have the following meanings:

1. Applicant. "Applicant" means an individual if the license is issued to, or in the name of, an individual; or a corporation, partnership or other entity, if the license is issued to or in the name of a corporation, partnership or other entity.
2. Delinquent Taxes. "Delinquent Taxes" do not include a tax liability if:
 - (a) An administrative or court action that contests the amount of validity or the liability has been filed or served;
 - (b) The appeal period to contest tax liability has not expired; or
 - (c) The applicant has entered into a payment agreement and is current with the payments.

3. Penalties and Interest. "Penalties and Interest" are penalties and interest due on sales and use taxes as defined in this section.

B. A copy of the notice of delinquent taxes given to the city shall also be sent to the applicant taxpayer. In the case of renewal of a license, if the applicant requests a hearing in writing, within 30 days of the receipt of the notice of delinquent taxes, then a contested case hearing shall be held by the Commissioner under the same procedures as provided in M.S. § 270C.72 for the state sales and use tax imposed under M.S. Ch. 297A, provided that if a hearing must be held on the state sales and use tax, hearings may be combined."

Passed and adopted this 26th day of December, 2012, with the following vote: Aye 5; No 0; Absent 0.

This ordinance shall become effective from and after its passage and publication.

(Sections 7.11 through 7.98, inclusive, reserved for future expansion.)

SECTION 7.99. VIOLATION A MISDEMEANOR. Every person who violates a section, subdivision, paragraph or provision of this Chapter when he performs an act thereby prohibited or declared unlawful, or fails to act when such failure is thereby prohibited or declared unlawful, and upon conviction thereof, shall be punished as for a misdemeanor except as otherwise stated in specific provisions hereof.

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Medford 0.5% Sales and Use Tax

www.revenue.state.mn.us

Beginning April 1, 2013, the city of Medford 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 repay loans received from the Minnesota Public Facilities Authority that were used to finance improvements to the city's water and wastewater systems.

The sales tax applies to retail sales made within the city limits of Medford. The use tax applies to taxable items used in Medford 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

The Medford sales and use tax does not apply to sales of motor vehicles registered for road use.

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

Who Must Register

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

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

Registering for the tax

- Access your e-Services Sales and Use tax account. Click the "Account Information" tab. To edit locations, click "Sales Locations." In the "Existing Locations" list, click the "Location Code" number for the location you wish to edit. Click "Click Here to Edit Local Information." Click the

check box for Medford and select April 1, 2013 using the calendar date selector feature. Click "OK." Click "Submit."

- If you file over the internet, you may register Medford when you file your April 2013 sales and use tax return (before you enter the figure). Once you are at the "Enter Taxable Sales and Purchases" table (single location filer) or screen (multiple location filer), click in the last row in the Tax Type column. A drop-down menu will become active. Use the tax type drop-down box and select Medford Sales. If you are a single location filer, it will assume that you want to add this for location "001." If you have multiple locations, type in the appropriate location number. Enter an amount in the local tax line you added. During processing, the department will add Medford Sales and Medford Purchases to your registration for this location and it should appear on future returns.
- If you file by phone, you must register for the Medford tax before you file your sales and use tax return. Call 651-282-5225 or email us at salesuse.tax@state.mn.us to register. Be sure to include your MN tax ID number if you send an email.

Medford sales and use tax is reported at the same time you report your Minnesota sales and use tax, but the figures are reported on separate lines.

Use Tax

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

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

Calculating the tax

To calculate the tax, combine the state sales tax rate (currently 6.875 percent) with the Medford tax rate (0.5 percent) and apply the combined rate (7.375 percent) to

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Medford 0.5% Sales and Use Tax

www.revenue.state.mn.us

the sales price and round to the nearest full cent. A 7.375 percent rate chart is available on our website. Paper rate charts are available upon request.

Charge Medford sales tax to customers from in or outside Medford who buy taxable items or services in Medford for business or personal use, even if these items are taken out of Medford.

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 Medford 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.

Handling Transitional Sales

Medford sales tax does apply to sales made on or after April 1, 2013, and shall be in addition to all other taxes in effect. The Medford sales and use tax shall not apply to the following:

- The gross receipts from the purchase or lease of tangible personal property made under an enforceable contract entered into before April 1, 2013, provided that delivery or possession of items is taken on or before June 30, 2013.
- The gross receipts from the purchase of taxable services, including utility services, if the billing period includes charges for services furnished before and after April 1, 2013. However, the sales and use tax shall apply to all purchases of taxable services, including utility services, if the billing period begins with services furnished on or after April 1, 2013.
- The gross receipts from the purchase of construction materials used to complete a lump sum or fixed price construction contract that was signed and enforceable before April 1, 2013, and that does not provide for an allocation of future taxes, provided that the construction materials are used exclusively in performing the contract and the materials are delivered before October 1, 2013.

Information and Assistance

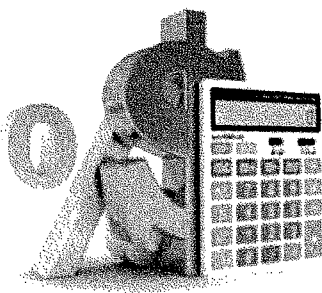
Call: (651) 296-6181 or toll free 1-800-657-3777
Fax: (651) 556-3102
Email: salesuse.tax@state.mn.us
Write: Minnesota Revenue
Sales and Use Tax Division
Mail Station 6330
St. Paul, MN 55146-6330

Or visit our website at www.revenue.state.mn.us



Local Sales and Use Tax

12/26/2013



On July 23, 2013, the County Board imposed a $\frac{1}{4}\%$ transit sales tax pursuant to Minnesota Statute Section 297A in order to raise money needed for the County's contribution toward public infrastructure costs related to the Destination Medical Center initiative.

In addition to the 6.875% Minnesota sales and use tax, retail sales and taxable services in Olmsted County may be subject to local sales and use taxes such as 0.25% Transit tax.

The Minnesota Department of Revenue will administer, collect, and enforce the Olmsted County transit taxes as authorized under Minnesota Statutes, section(s) 297A.99.

Note that certain cities within Olmsted County (Rochester, for example) also have local sales taxes either administered by the Minnesota Department of Revenue or by the city itself. Contact the applicable city(s) with questions.

Please refer to the links provided for more information.

<http://www.revenue.state.mn.us/businesses/sut/Documents/General%20Notice%20Olmsted.pdf>

<http://www.revenue.state.mn.us/Pages/default.aspx>

http://www.revenue.state.mn.us/businesses/sut/Pages/Local_Tax_Info.aspx

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Olmsted County 0.25 Percent Transit Sales and Use Tax

Starting Jan. 1, 2014, Olmsted County will have a 0.25 percent transit sales and use tax. The Minnesota Department of Revenue will administer this tax. The revenue will be used to fund:

- Public infrastructure for the Mayo Clinic "Destination Medical Center" initiative.
- Other transit and transportation projects, including roads and bridges, airports, and transportation improvements.
- Maintenance on the county's roads and bridges.

This tax applies to retail sales made within Olmsted County. The use tax applies to taxable items used in the county if the local sales tax was not paid.

This tax applies to the same items that are subject to the state Sales and Use Tax. It does not apply to sales of motor vehicles registered for road use.

For more information about local taxes, see Fact Sheet 164, Local Sales and Use Taxes. It is available on our website, www.revenue.state.mn.us.

Vehicle sales

The Olmsted County transit sales and use tax does not apply to sales of motor vehicles registered for road use.

Who must register

All retailers who are doing business in Olmsted County and registered for Minnesota sales tax. This includes sellers outside Olmsted County if they do any of the following:

- Have an office, distribution, sales, sample or warehouse locations, or other place of business in Olmsted County, either directly or by a subsidiary.
- Have a representative, agent, salesperson, canvasser, or solicitor in Olmsted County, either on a permanent or temporary basis.

This includes anyone, who operates under the authority of the retailer or its subsidiary for any purpose. Examples include repairing, selling, installing, or soliciting orders for the retailer's taxable goods or services, or leasing tangible personal property in Olmsted County.

- Ship or deliver tangible personal property into Olmsted County.
- Perform taxable services in Olmsted County.

Registering for the tax

If you file Sales and Use Tax returns online, you can register for this tax either before or when you file a January 2014 return.

To register before you file:

1. Log in to e-Services and access your Sales and Use Tax account.
2. Click the "Account Information" tab.
3. To edit locations, click "Sales Locations."
4. In the "Existing Locations" list, click the "Location Code" number for the location you wish to edit.
5. Click "Click Here to Edit Local Information."
6. Click the check box for "Olmsted County transit sales" and "Olmsted County transit use." Select Jan. 1, 2014.
7. Click "OK." Click "Submit."

To register when you file:

1. In the "Enter Taxable Sales and Purchases" table or screen, click in the last row in the Tax Type column.
2. A drop-down menu will become active; use it to select "Olmsted County transit sales" and "Olmsted County transit use." This will add 2 rows for the tax.
3. If you have multiple locations, type in the appropriate location number. (If you are a single location filer, it will assume you want to add this for location "001.")
4. Enter an amount in the local tax lines you added. Next time you file, these lines will automatically appear in your return.

If you file by phone: You must register for this tax before you file your return. To register, call 651-282-5225 or email us at salesuse.tax@state.mn.us. If you send an email, include your Minnesota tax ID number.

Reporting the tax

Report the Olmsted County transit sales and use tax when you report your Minnesota Sales and Use tax. Each tax is reported on a separate line of your return.

Use tax

Olmsted County transit use tax applies when you are located in the county and you buy items or services without paying the transit sales tax.

MINNESOTA REVENUE

Olmsted County 0.25 Percent Transit Sales and Use Tax

Use tax is similar to 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 for use in Olmsted County and the seller doesn't charge the local tax.
- Buy items for resale at your business, then remove some of the items from inventory for business or personal use in Olmsted County.

Calculating the tax

To calculate the total tax due on a purchase:

1. Add the 6.875 percent state sales tax rate and the 0.25 percent Olmsted County transit rate.
2. Add any other local taxes that apply.
3. Apply the combined 7.125 percent rate (plus other local taxes) to the sales price.
4. Round the total to the nearest full cent.

You can download a 7.125 percent rate chart from our website or call us to request a paper rate chart.

When to charge the tax

Charge the Olmsted County transit sales tax when customers buy taxable items or services in the county, unless they give you a valid exemption certificate.

The tax applies to purchases for business or personal use, even if the customer is from elsewhere or takes the items out of Olmsted County.

Exemption certificates

If a customer gives you a fully completed exemption certificate for state sales tax, also use that certificate as proof of exemption from the Olmsted County transit sales tax.

Local governments

Local governments are not required to pay the Olmsted County transit sales tax (or other local general sales taxes). No exemption certificate is necessary. But state sales tax generally applies.

Local governments include cities, towns, counties, instrumentalities, political subdivisions, commissions, special districts and government boards.

Handling transitional sales

Olmsted County transit tax applies to sales on or after Jan. 1, 2014. But the tax does not apply to the following:

- Lease payments for tangible personal property and motor vehicles that include periods before Jan. 1, 2014. (The tax does apply to payments for periods that begin on or after that date.)
- The purchase of tangible personal property ordered before Jan. 1, 2014, if the transfer of title or possession is prior to that date.
- The purchase of taxable services, including utility services, if the billing period includes charges for services furnished before and after Jan. 1, 2014. (But the tax does apply if the billing period begins with services furnished on or after that date.)
- The purchase of admission tickets if they are paid for before Jan. 1, 2014, even if the event occurs after that date.
- The purchase of construction materials used to complete a lump sum or fixed price construction contract that was signed and enforceable before Jan. 1, 2014, but only if all the following are true:
 - The contract does not provide for an allocation of future taxes.
 - The materials are used exclusively in performing the contract.
 - The materials are delivered before June 30, 2014.

Information and assistance

Call: 651-296-6181 or toll-free 1-800-657-3777

Fax: 651-556-3102

Email: salesuse.tax@state.mn.us

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

Or visit our website at www.revenue.state.mn.us

**Response of
Interstate Power and Light Company
to
Minnesota Department of Commerce
Division of Energy Resources
Information Request No. 2**

Docket No.: E001/M-14-105
Date of Request: February 10, 2014
Response Due: February 21, 2014
Information Requested By: Michael Zajicek
Date Responded: February 21, 2014
Author: David Samek
Author's Title: Sr. Reg. Affairs Consultant
Author's Telephone No.: (319) 786-4131
Subject:
Reference: Petition in Docket No. E001/M-14-105 Redlined Tariff
Twenty-Third Revised Sheet No. 32 which included the
following new tax items:

Information Request No. 2

Medford - A local sales tax of 0.50 percent shall be applied to all utility billings for electric service furnished within the city of Medford, commencing April 1, 2013.

Olmstead County - A local sales tax of 0.25 percent shall be applied to all utility billings for electric service furnished within Olmstead County, including the cities of Chatfield, Dover, Eyota, and Stewartville, commencing January 1, 2014.

The Petition indicates that both taxes have gone into effect prior to the Company's initial filing.

Please provide:

- A. Information to indicate whether the appropriate tax has been paid to the respective governing bodies for both taxes, and;
- B. Documentation to show whether any or all of this tax has been charged to IPL's retail customers since the implementation of each of these taxes.

Response:

- A. IPL directly pays the State of Minnesota for all sales taxes and then the State of Minnesota determines what local sales taxes go to the governing bodies (Medford and Olmsted County in this instance).
- B. Please see Attachment A to this information request, which is an example of a bill for a Medford customer documenting the sales tax charges. IPL also provides Attachment B, which is an example of a bill for a Stewartville (Olmsted County) customer documenting the sales tax charges.

JANE DOE
 999 3RD ST NE

09299

1-800-25
 20-38-999-9999-99
 01/23/2014 01

99999999 12/19 01/22 34 62869 62601 268

Your Next Scheduled Read: 02/18/2014

Amount of Previous Bill	Actual
Payment Received 01/14, Thank You!	\$34.07
Balance Before This Bill	34.07CR
	\$.00

Electric Service	Rate Code 160	
Meter 99999999	268 kWh / 34 Days = 7.882 kWh per Day	
	7.882 kWh X 34 Days X \$.09193	24.64
	Energy Cost 268 kWh X \$.00132-	.35CR
	Resource Adjustment Charge 268 kWh X \$.00156-	.42CR
	Renewable Energy Recovery 268 kWh X \$.00222	.59
	Basic Service Charge \$.27945 X 34 Days	9.50
	City Franchise Fee	1.02
	\$34.98 X Tax State 6.875%	2.40
	\$34.98 X Tax Local .5%	.17
	Current Charges This Meter	\$37.55

 Current Account Balance \$37.55

Billing Period	Avg Temperature	Electric Use Per Day
This Month	12 F	7.882 kWh
Last Month	19 F	7.000 kWh
Last Year	18 F	5.151 kWh

Your residential electric bill is made up of approximately 60.7% Generation, 17.7% Transmission and 21.6% Distribution costs. Individual usage may vary from these averages. To learn more about the breakdown of your bill, and environmental and generation cost information, please visit alliantenergy.com/mndisclosure.

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				AMOUNT DUE NOW	\$37.55
\$0.00	Elec	\$1.03	Elec	\$.131	
				ADD 1.5% AFTER FEBRUARY 17, 2014	
				\$38.11 LATE PAYMENT AMOUNT	

DO NOT PAY
 ACCOUNT NUMBER
 20-38-999-9999-99

Auto Pay will deduct \$37.55 on FEBRUARY 17, 2014

JANE DOE
 999 3RD ST NE
 MEDFORD MN 55049
 ALLIANT ENERGY
 P.O. BOX 3066
 CEDAR RAPIDS, IA 52406-3066-66

H

203899999999000038110000375522

JOHN & JANE DOE
999 3RD ST SW

04498

1-800-2
20-52-999-9999-99
02/12/2014 02

99999999 01/13 02/11 29 36002 35643 359

Your Next Scheduled Read: 03/10/2014
Amount of Previous Bill Actual
Payment Received 02/07, Thank You! \$50.59
Balance Before This Bill 50.59CR
\$43.00

Electric Service	Rate Code 160	
Meter 99999999	359 kWh / 29 Days = 12.379 kWh per Day	
	12.379 kWh X 29 Days X \$.09193	33.00
	Energy Cost 359 kWh X \$.00301-	1.08CR
Resource Adjustment Charge 359 kWh X \$.00156-		.56CR
Renewable Energy Recovery 359 kWh X \$.00222		.80
Basic Service Charge \$.27945 X 29 Days		8.10
\$40.26 X Tax State 6.875%		2.77
\$40.26 X Tax Local .25%		.10
Current Charges This Meter		\$43.13

Current Account Balance		\$43.13

Billing Period	Avg Temperature	Electric Use Per Day
This Month	10 F	12.379 kWh
Last Month	9 F	10.552 kWh
Last Year	19 F	43.933 kWh

Your residential electric bill is made up of approximately 60.7% Generation, 17.7% Transmission and 21.6% Distribution costs. Individual usage may vary from these averages. To learn more about the breakdown of your bill, and environmental and generation cost information, please visit alliantenergy.com/mndisclosure.

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				AMOUNT DUE NOW	\$43.13
				ADD 1.5% AFTER MARCH 10, 2014	
\$0.00	Elec	\$1.39	Elec	\$0.112	
				\$43.78 LATE PAYMENT AMOUNT	

RETURN THE STUB WITH YOUR PAYMENT

ACCOUNT NUMBER	PAY THIS AMOUNT ON OR BEFORE MARCH 10, 2014	\$43.13
20-52-999-9999-99	AMOUNT DUE AFTER MARCH 10, 2014	\$43.78

H

JOHN & JANE DOE
999 3RD ST SW
STEWARTVILLE MN 55976
ALLIANT ENERGY
P.O. BOX 3066
CEDAR RAPIDS, IA 52406-3066-66

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2052999999999999000043780000431321

**Response of
Interstate Power and Light Company
to
Minnesota Department of Commerce
Division of Energy Resources
Information Request No. 3**

Docket No.: E001/M-14-105
Date of Request: February 10, 2014
Response Due: February 21, 2014
Information Requested By: Michael Zajicek
Date Responded: February 21, 2014
Author: David Samek
Author's Title: Sr. Reg. Affairs Consultant
Author's Telephone No.: (319) 786-4131
Subject:
Reference: Minnesota Statute 297A.67 subd. 15 part 3 states:

Information Request No. 3

For the billing months of November, December, January, February, March, and April, electricity sold for residential use to customers who are metered and billed as residential users and who use electricity for their primary source of residential heat.

Minnesota Statute 297A.99, subd. 7(a) states:

All goods or services that are otherwise exempt from taxation under this chapter are exempt from a political subdivision's tax.

Please provide:

- A. A narrative explaining how IPL identifies customers who use electricity for their primary source of residential heat, and;
- B. Confirmation that IPL does not intend to collect the city of Medford and Olmstead County taxes from its ratepayers located in those political subdivisions during the months of November through April.
- C. If the taxes will not be collected during those months, a narrative explaining IPL's procedures for ensuring that these customers are not charged sales tax on electricity during the months of November through April.

Response:

- A. IPL identifies Medford and Olmsted County residential customers by specific revenue (ex. space heating) and rate codes and then programs the billing system so those customers who use electricity as their primary heating source are not charged any local sales and use taxes during the months of November through April.
- B. IPL follows the Minnesota Statutes and Regulations and does not charge residential customers who use electricity as their primary heating source in Medford and Olmsted County any local sales and use taxes during the months of November through April.
- C. IPL identifies Medford and Olmsted County residential customers by specific revenue (ex. space heating) and rate codes and then programs the billing system so those customers who use electricity as their primary heating source are not charged any local sales and use taxes during the months of November through April. Please see Attachments A (Medford) and B (Stewartville, Olmsted County) to this information request for examples of residential bills in February, 2014, which do not include a charge the local sales and use taxes.

JOHN DOE
999 CENTRAL AVE

10909
1-800-2
20-38-999-9999-99
01/22/2014 01

99999999 12/18 01/21 34 38118 37377 741

Your Next Scheduled Read: 02/17/2014

Amount of Previous Bill	Actual
Payment Received 12/23, Thank You!	\$54.35
Balance Before This Bill	54.35CR
	\$.00

Electric Service	Rate Code 160	
Meter 99999999	741 kWh / 34 Days = 21.794 kWh per Day	
	21.794 kWh X 34 Days X \$.09193	68.12
	Energy Cost 741 kWh X \$.00132-	.98CR
Resource Adjustment Charge 741 kWh X \$.00156-		1.16CR
Renewable Energy Recovery 741 kWh X \$.00222		1.65
Basic Service Charge \$.27945 X 34 Days		9.50
City Franchise Fee		2.31
\$79.44 X Tax State 6.875% (100% Exempt)		.00
\$79.44 X Tax Local .5%(100% Exempt)		.00
Current Charges This Meter		\$79.44

Current Account Balance \$79.44

Billing Period	Avg Temperature	Electric Use Per Day
This Month	11 F	21.794 kWh
Last Month	19 F	13.714 kWh
Last Year	18 F	9.411 kWh

Your residential electric bill is made up of approximately 60.7% Generation, 17.7% Transmission and 21.6% Distribution costs. Individual usage may vary from these averages. To learn more about the breakdown of your bill, and environmental and generation cost information, please visit alliantenergy.com/mndisclosure.

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		AMOUNT DUE NOW	\$79.44
		ADD 1.5% AFTER FEBRUARY 17, 2014	
\$0.00	Elec	\$2.34	Elec \$.107
		\$80.63	LATE PAYMENT AMOUNT

RETURN THE STUB WITH YOUR PAYMENT

ACCOUNT NUMBER	PAY THIS AMOUNT ON OR BEFORE FEBRUARY 17, 2014	\$79.44
20-38-999-9999-99	AMOUNT DUE AFTER FEBRUARY 17, 2014	\$80.63

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JOHN DOE
PO BOX 9999
MEDFORD MN 55049
ALLIANT ENERGY
P.O. BOX 3066
CEDAR RAPIDS, IA 52406-3066-66

H

203899999999000080630000794424

JOHN DOE
999 2ND AVE SW

04649

1-800-25
20-52-999-9999-9
02/12/2014 02

99999999 01/13 02/11 29 19331 17947 1,384

Your Next Scheduled Read: 03/10/2014

Amount of Previous Bill
Payment Received 01/31, Thank You!
Balance Before This Bill

Actual
\$145.65
145.65CR
\$.00

Electric Service
Meter 99999999

Rate Code 160
1,384 kWh / 29 Days = 47.724 kWh per Day
Winter 1st Step 32.876 kWh X 29 Days X \$.09193
Winter 2nd Step 14.848 kWh X 29 Days X \$.06303
Energy Cost 1,384 kWh X \$.00301-
Resource Adjustment Charge 1,384 kWh X \$.00156-
Renewable Energy Recovery 1,384 kWh X \$.00222
Basic Service Charge \$.27945 X 29 Days
\$119.63 X Tax State 6.875% (100% Exempt)
\$119.63 X Tax Local .25% (100% Exempt)
Current Charges This Meter

87.65
27.14
4.17CR
2.16CR
3.07
8.10
.00
.00
\$119.63

Current Account Balance

\$119.63

Billing Period	Avg Temperature	Electric Use Per Day
This Month	10 F	47.724 kWh
Last Month	9 F	41.736 kWh
Last Year	19 F	37.066 kWh

Your residential electric bill is made up of approximately 60.7% Generation, 17.7% Transmission and 21.6% Distribution costs. Individual usage may vary from these averages. To learn more about the breakdown of your bill, and environmental and generation cost information, please visit alliantenergy.com/mndisclosure.

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\$0.00 Elec \$4.13 Elec \$.086
AMOUNT DUE NOW \$119.63
ADD 1.5% AFTER MARCH 10, 2014
\$121.42 LATE PAYMENT AMOUNT

RETURN THE STUB WITH YOUR PAYMENT

ACCOUNT NUMBER 20-52-999-9999-99
PAY THIS AMOUNT ON OR BEFORE MARCH 10, 2014 \$119.63
AMOUNT DUE AFTER MARCH 10, 2014 \$121.42

H

JOHN DOE
999 2ND AVE SW
STEWARTVILLE MN 55976
ALLIANT ENERGY
P.O. BOX 3066
CEDAR RAPIDS, IA 52406-3066-66

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205299999999000121420001196329

Local Sales and Use Taxes

164
 Sales Tax
 Fact Sheet

What's New in 2014

Starting April 1, 2014:

- Beltrami and Wadena Counties have a 0.50 percent Transit Sales and Use Tax
- Beltrami County Transit Excise Tax is \$20 per vehicle sold

Starting Jan. 1, 2014:

- Olmsted County has a 0.25 percent Transit Sales and Use Tax
- Rice County has a 0.5 percent Transit Sales and Use Tax
- The Rochester Lodging Tax rate is 7 percent. (It was previously 4 percent.)

Local Sales and Use Taxes (and Special Local Taxes)

City/County	Type of Tax	Begin Date	Rate
Albert Lea	Sales and Use Tax	4/1/06	0.50%
Austin	Sales and Use Tax	4/1/07	0.50%
Baxter	Sales and Use Tax	10/1/06	0.50%
Beltrami County	Transit Sales and Use Tax	4/1/14	0.50%
Bemidji	Sales and Use Tax	1/1/06	0.50%
Brainerd	Sales and Use Tax	4/1/07	0.50%
Clearwater	Sales and Use Tax	10/1/08	0.50%
Cloquet	Sales and Use Tax	4/1/13	0.50%
Cook County	Sales and Use Tax	4/1/10 (1)	1.00%
Detroit Lakes	Food and Beverage Tax*	4/1/11	1.00%
Duluth	Sales and Use Tax	1/1/70 (2)	1.00%
Fergus Falls	Sales and Use Tax	1/1/12	0.50%
Giants Ridge Recreation Area (city of Biwabik)	Admissions and Recreation Tax*	7/1/11	2.00%
	Food and Beverage Tax*	7/1/11	1.00%
	Lodging Tax*	7/1/11	2.00%
Hennepin County	Sales and Use Tax	1/1/07	0.15%
Hermantown (3)	Sales and Use Tax	4/1/13	1.00%
	Sales and Use Tax	1/1/00 – 3/31/13	0.50%
Hutchinson	Sales and Use Tax	1/1/12	0.50%
Lanesboro	Sales and Use Tax	1/1/12	0.50%
Mankato	Sales Tax	4/1/92	0.50%
	Use Tax	1/1/00	0.50%
	Food and Beverage Tax*	4/1/09	0.50%
	Entertainment Tax*	4/1/09	0.50%

Sales and Use Tax Division – Mail Station 6330 – St. Paul, MN 55146-6330
 Phone: 651-296-6181 or 1-800-657-3777
 Minnesota Relay (TTY) 711
 Email: salesuse.tax@state.mn.us

This fact sheet is intended to help you become more familiar with Minnesota tax laws and your rights and responsibilities under the laws. Nothing in this fact sheet supersedes, alters, or otherwise changes any provisions of the tax law, administrative rules, court decisions, or revenue notices. Alternative formats available upon request.

City/County	Type of Tax	Begin	Rate
Marshall	Sales and Use Tax	4/1/13	0.50%
	Food and Beverage Tax*	7/1/13	1.5%
Medford	Sales and Use Tax	4/1/13	0.50%
Minneapolis	Sales and Use Tax	2/1/87	0.50%
	Downtown Liquor Tax*	2/1/87	3.00%
	Lodging Tax*	4/1/02 (4)	2.625%
	Downtown Restaurant Tax*	2/1/87	3.00%
	Entertainment Tax*	10/1/69	3.00%
New Ulm	Sales and Use Tax	4/1/01	0.50%
North Mankato	Sales and Use Tax	10/1/08	0.50%
Olmsted County	Transit Sales and Use Tax	1/1/14	0.25%
Owatonna	Sales and Use Tax	4/1/07 – 6/30/11	0.50%
Proctor	Sales and Use Tax	4/1/00	0.50%
Rice County	Transit Sales and Use Tax	1/1/14	0.50%
Rochester	Sales and Use Tax	1/1/93	0.50%
	Lodging Tax*	9/1/71 (6)	7.00%
St. Cloud Area (5)	Sales and Use Tax	1/1/03	0.50%
St. Cloud	Liquor Tax*	2/1/87	1.00%
	Food Tax*	2/1/87	1.00%
St. Paul	Sales Tax	9/1/93	0.50%
	Use Tax	1/1/00	0.50%
	Lodging Tax 50+ rooms*	4/1/04	6.00%
	Lodging Tax less than 50 rooms*	4/1/04	3.00%
Transit Improvement Area (<i>includes the counties of Anoka, Dakota, Hennepin, Ramsey and Washington</i>)	Sales and Use Tax	7/1/08	0.25%
Two Harbors	Sales and Use Tax	4/1/99	0.50%
Wadena County	Transit Sales and Use Tax	4/1/14	0.50%
Willmar	Sales and Use Tax	1/1/06 – 12/31/12	0.50%
Worthington	Sales and Use Tax	4/1/09	0.50%

- (1) Cook County 1.0% sales and use taxes originally began 1994 and 2001 respectively, and ended 3/31/08. The taxes resumed 4/1/10.
(2) Duluth sales and use tax originally began 1/1/70. Minnesota Department of Revenue began administration 1/1/06.
(3) Hermantown sales and use tax increased 1% (from 0.5%) effective 4/1/13.
(4) Minneapolis lodging tax rate prior to 7/1/09 was 3.0%.
(5) St. Cloud, Sartell, Sauk Rapids, and St. Augusta were original participants in this tax. Beginning 1/1/06, St. Joseph and Waite Park also became participating cities.
(6) Beginning 1/1/14, the Rochester lodging tax rate is 7%. Prior to 1/1/14, the Rochester lodging tax rate was 4%.

* For more information about the special local taxes, see Sales Tax Fact Sheets 164M, Minneapolis Special Local Taxes and 164S, Special Local Taxes: Detroit Lakes, Giants Ridge Recreation Area, Mankato, Marshall, Rochester, St. Cloud and St. Paul.

Local sales tax

The Minnesota Department of Revenue currently administers the local taxes shown in the chart above. Local sales tax applies to retail sales made and taxable services provided within the local taxing area. The tax applies to the same items that are taxed by the Minnesota sales and use tax law.

To figure the tax, combine the state tax rate and the local rate(s). Apply the combined rate to the taxable sales price and round to the nearest full cent. Rate

charts are available on our web site or upon request.

Report local taxes when you electronically file your Minnesota sales and use tax. The figures are reported separately from state taxes.

Who is required to collect

All retailers who are registered to collect Minnesota sales tax and are doing business in an area with a local tax must be registered with the Minnesota Department of Revenue to collect that local tax. This includes any

sellers from outside the locality who:

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

Local tax applies to sales made or services performed within city limits or county boundaries only. ZIP codes help to determine the taxing area, but don't always correspond exactly with city or county limits, so part of a ZIP code may be outside the city or county. (See the section *ZIP codes* on pages 4 and 5.)

Local use tax

Local use tax applies when you buy items or services for use, storage, distribution or consumption in the local area without paying local sales tax to the seller. 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 use tax is due are when:

- You buy items outside the local area and the seller doesn't charge local sales tax, and you use or store the item in the local area.
- You buy a taxable item from an out-of-state seller who does not charge local sales tax.

For more information, see Fact Sheets 146, Use Tax for Businesses, and 156, Use Tax for Individuals.

Credit for local tax paid. If you pay local sales tax in Minnesota to one locality but use the items in another area that imposes a local sales and use tax, you are allowed credit for the local sales tax already paid.

Several ways to register

You may register for local taxes on the Internet using *e-Services*. Access your sales and use tax account. You can add local tax lines from the "Registration" menu on the left side. Click on "Sales Locations" from the Registration menu. Click on the blue link for the location number you want to edit. Select "Click Here to Edit Local Information" and add any local sales or use tax for this location. The local tax line will be updated overnight.

You may register for local taxes when filing your sales tax return on the Internet in *e-Services*. At the "Tax Inputs" screen, click the "Add a Record" link. Use the

tax type drop-down box Page 3 of 7

wish to add. Enter the tax line you added. The local tax line will appear on future returns.

If you file by phone, you must register for local tax before you file your return. Call 651-282-5225 or 1-800-657-3605; email us at salesuse.tax@state.mn.us to register. Be sure to include your Minnesota ID number if you send us an email.

When to charge local tax

As a general rule, charge local sales tax on all sales made in a local taxing area that are subject to Minnesota state sales tax.

- Charge local sales tax to customers from outside the city or county who *pick up* items in the local area for *business or personal use*, even if the items are taken out of the local area.
- Charge local sales tax to customers from outside the local area if you perform taxable services in the local area. For example, charge local tax if you perform a car wash or deliver dry cleaned items in an area with a local tax.

Exemptions

Do **not** charge local sales tax on sales of taxable items when:

- your customer gives you a fully completed Certificate of Exemption, Form ST3, for state sales tax;
- you ship or deliver the items to your customer outside the local area; or
- you sell *direct-to-home* satellite (DBS) services (not cable). These services are subject to state sales tax, but *not* local sales tax. This is a federal preemption from the Telecommunications Act of 1996.

Federal government agencies are exempt from state and local sales and use taxes.

Minnesota state agencies have Direct Pay authorization when buying *tangible items*, which means that they do not pay sales tax to the seller—they pay use tax directly to the state. However, the Direct Pay authorization does not apply to purchases of services, meals, lodging, admissions or purchases of motor vehicles, so state agencies must pay state and local sales taxes to the seller on these purchases.

Local governments do not pay local sales or use tax. Local governments including cities, towns, counties, instrumentalities, political subdivisions, commissions, special districts and governmental boards are not required to pay general local sales taxes. No exemption certificate is necessary. However, *state* sales tax and *special local* taxes generally apply.

See Fact Sheet 142, Sales to Governments, for more information.

Vehicle leases

Long-term leases: If you enter into a long term lease for a vehicle that is principally based or garaged in an area with local sales tax, local sales tax applies. The local tax applies even if the leasing company is located outside the city or county. If the lease is for a vehicle that requires an up-front payment of state sales tax, local tax is also due up-front, if the vehicle is principally garaged in the local area.

Short-term rentals: Vehicles leased or rented under agreements for less than 29 days are subject to local tax if the lease agreement is entered into in the local taxing area, even if the lessee intends to use the vehicle outside the city or county.

Vehicle sales

Local sales tax does not apply to *sales* of motor vehicles. However, \$20 transit improvement vehicle excise tax applies to sales of motor vehicles when the sale occurs in Anoka, Dakota, Hennepin, Ramsey, or Washington County.

Beginning April 1, 2014, a \$20 transit vehicle excise tax also applies to sales of motor vehicles in Beltrami County.

This excise tax must be collected by any person in the business of selling new or used motor vehicles at retail and must be submitted to the Minnesota Department of Revenue on your Minnesota sales and use tax return.

An excise tax of \$20 applies to sales of vehicles made by dealers located within Baxter, Brainerd, Clearwater, Hutchinson, Mankato, New Ulm, Owatonna, Rochester and Worthington. For more information on this \$20 excise tax, contact the city offices directly, since they administer these taxes themselves.

Motor vehicle means a self-propelled vehicle required to be licensed for use on a public highway. It includes, but is not limited to, cars, vans, pickups, trucks, truck-tractors, tractors, trailers, motor homes, and motor cycles.

Special local taxes

The Minnesota Department of Revenue also administers special local taxes that are imposed in Detroit Lakes, Giants Ridge Recreation Area (city of Biwabik), Mankato, Minneapolis, Rochester, St. Cloud, and St. Paul.

The city of Detroit Lakes imposes a 1 percent Food and Beverage tax. Giants Ridge Recreation Area imposes a 2 percent Admissions and Recreation tax; a 1 percent Food and Beverage tax; and a 2 percent Lodging tax. The city of Mankato imposes a 0.5 percent Food and Beverage tax; and 0.5 percent Entertainment tax. St. Cloud imposes a 1 percent tax on liquor and food sold at restaurants and "places of refreshment" located within the city limits. Minneapolis, Rochester and St. Paul impose various lodging taxes administered by the Department of Revenue. Minneapolis imposes a city wide 3 percent entertainment tax. Special 3 percent restaurant and 3 percent liquor taxes apply in the Minneapolis downtown taxing district.

See sales tax fact sheets 164M, Minneapolis Special Taxes and 164S, Special Local Taxes, for more information about special local taxes administered by the Department of Revenue.

Lodging taxes

Many Minnesota cities, towns and areas impose a **lodging tax**. Except for the ones listed in the chart, these taxes are **not** administered by the Minnesota Department of Revenue. All questions should be directed to the city or town imposing the tax.

Examples of when to charge local tax

In the examples below, Minnesota state tax always applies. Local tax applies as indicated.

1. A Minneapolis company sells items to a St. Paul company. The Minneapolis company delivers the items to St. Paul in their own truck. The Minneapolis company is required to collect the St. Paul and the Transit Improvement taxes (not Minneapolis or Hennepin County taxes).
2. A St. Paul company picks up items from a Minneapolis supplier for use in St. Paul. Since the St. Paul company takes possession of the items in Minneapolis, the Minneapolis supplier must collect the Minneapolis, Hennepin County and Transit Improvement taxes.
3. A contractor buys and picks up materials in a city with a local tax for use in an area without a local tax. Since the materials are picked up in the city with a local tax, that city's local sales tax applies. If the materials are delivered by the seller to the construction site, no local tax is due.
4. A North Dakota contractor buys there and pays the North Dakota tax. The materials are brought into Minnesota to be used at a construction site in Bemidji. Bemidji local use tax is due. (Also, since North Dakota's tax rate is lower than Minnesota's rate, the difference is due as Minnesota state use tax.)
5. A person sells at a craft show located in a city with a local tax and customers take possession of the items

in that city. Since the sales are being made in a city with a local tax, the seller must collect the local tax. This is true even if the seller is from outside the city.

6. A photographer takes pictures at a site where there is no local tax. The customer picks up the photos at the

photographer's studio tax is due because the photos in a city photographer mails the photos to an area with no local tax, no local tax is due.

ZIP codes

The **sales tax rate calculator** (available on our website) provides the state and local general sales and use tax rates that apply to sales made to specific locations in Minnesota. Just enter the 9-digit ZIP code for the location of the sale, select the period when the sale was made, enter the total amount of the sale (optional) and click the "Submit" button.

The **general** ZIP code area of each local tax is listed in the table below. Unfortunately, ZIP codes do not correspond exactly with city/county limits. To be sure you are getting the correct results for the specific address you are looking up, use the sales tax rate calculator on our website, and *be sure to use the full 9-digit ZIP code*. If you don't know the 9-digit ZIP code, click on the "ZIP code lookup" link on the calculator. This brings up the United States Postal Service ZIP code lookup function.

Enter the address for the sale and it will give you the correct 9-digit ZIP code to use on the sales tax rate calculator.

A detailed breakdown of ZIP code areas that cross city/county boundaries is available on our website for Albert Lea, Austin, Baxter, Bemidji, Brainerd, Clearwater, Fergus Falls, Hennepin County, Hermantown, Hutchinson, Minneapolis, New Ulm, Owatonna, Proctor, Sartell, Sauk Rapids, St. Augusta, St. Cloud, St. Paul, Transit Improvement, Two Harbors and Worthington.

However, because city boundaries change and new streets are added over time, those listings may not be complete. (ZIP code guides are not available for all areas.)

The table below provides the general ZIP code for each local tax in Minnesota.

Local/Special Tax	General ZIP Code Area	Cities or Towns Where Tax Applies
Albert Lea	56007	Albert Lea
Austin	55912	Austin
Baxter	56425	Baxter
Beltrami County	56601, 56619, 56630, 56634, 56644, 56647, 56650, 56663, 56666, 56667, 56670, 56671, 56678, 56683, 56685, 56687, 56727,	Cities Bemidji, Blackduck, Funkley, Kelliher, Solway, Tenstrike, Turtle River, and Wilton Townships Alaska, Battle, Bemidji, Benville, Birch, Buzzle, Cormant, Durand, Eckles, Frohn, Grant Valley, Hagall, Hamre, Hines, Hornet, Jones, Kelliher, Lammers, Langor, Lee, Liberty, Maple Ridge, Minnie, Moose Lake, Nebish, Northern, O'Brien, Port Hope, Quiring, Roosevelt, Shooks, Shotley, Spruce Grove, Steenerson, Sugar Bush, Summit, Taylor, Ten Lake, Turtle Lake, Turtle River, Waskish, and Woodrow
Bemidji	56601, 56619	Bemidji
Brainerd	56401	Brainerd
Clearwater	55320	Clearwater
Cloquet	55720	Cloquet
Cook County	55604-55606, 55612, 55613, 55615.	Grand Marais, Grand Portage, Lutsen, Schroeder, Tofte, and Hovland
Detroit Lakes	56501, 56502	Detroit Lakes
Duluth	55802-55808, 55810-55812, 55814-55816	Duluth:
Fergus Falls	56537	Fergus Falls
Giants Ridge Recreation Area	55708	Biwabik

Local/Special Tax	General ZIP Code Area	Cities or Towns where Tax Applies
Hennepin County (see note below table)	55111, 55305, 55311, 55316, 55323, 55327, 55328, 55331, 55340, 55341, 55343-55348, 55356, 55357, 55359, 55361, 55364, 55369, 55373-55375, 55384, 55387, 55388, 55391-55393, 55401-55431, 55435-55447, 55450, 55454, 55455, 55458-55460, 55467, 55470, 55472-55474, 55478-55480, 55483-55488, 55569-55571, 55574, 55576-55579, 55592, 55593, 55595-55599	Bloomington, Brooklyn Center, Brooklyn Park, Champlin, Chanhassen*, Corcoran, Crystal, Dayton*, Deephaven, Eden Prairie, Edina, Excelsior, Fort Snelling, Golden Valley, Greenfield, Greenwood, Hamel, Hanover*, Hassan, Hopkins, Independence, Long Lake, Loretto, Maple Grove, Maple Plain, Medicine Lake, Medina, Minneapolis, Minnetonka, Minnetonka Beach, Minnetrista, Mound, New Hope, Orono, Osseo, Plymouth, Richfield, Robbinsdale, Rockford*, Rogers*, Shorewood, Spring Park, St. Anthony, St. Bonifacius*, St. Louis Park, Tonka Bay, Waconia*, Watertown*, Wayzata, Woodland and Young America* For cities marked with an asterisk (*) above, part of the ZIP code is outside Hennepin County
Hermantown	55810, 55811 (both ZIP codes are used by Hermantown and Duluth), 55701	Hermantown:
Hutchinson	55350	Hutchinson:
Lanesboro	55949	Lanesboro:
Mankato	56001-56003, 56006	Mankato
Marshall	56258	Marshall:
Medford	55049	Medford:
Minneapolis	55401-55419, 55421, 55423, 55430, 55440, 55450, 55454, 55455, 55458-55460, 55467, 55470, 55472-55474, 55478-55480, 55483-55488	Minneapolis:
New Ulm	56021, 56073	New Ulm:
North Mankato	56003	North Mankato:
Olmsted County	55901, 55902, 55903, 55904, 55905, 55906, 55920, 55923, 55929, 55932, 55934, 55940, 55944, 55960, 55963, 55964, 55972, 55976, 55991	Cities Byron, Chatfield*, Dover, Eyota, Oronoco, Pine Island*, Rochester, and Stewartville Townships Cascade, Dover, Elmira, Eyota, Farmington, Haverhill, High Forest, Kalmar, Marion, New Haven, Orion, Oronoco, Pleasant Grove, Quincy, Rochester, Rock Dell, Salem, and Viola For cities marked with an asterisk (*) above, part of the ZIP code is outside Olmsted County
Owatonna	55060	Owatonna
Proctor	55810 (used by Proctor, Duluth and Hermantown)	Proctor
Rice County	55018, 55019, 55021, 55046, 55049, 55052, 55053, 55057, 55087, 55088, 55946, 56052, 56069, 56071, 56096	Cities Dennison*, Dundas, Faribault, Lonsdale, Morristown, Nerstrand, Northfield* Townships Bridgewater, Cannon City, Erin, Forest, Morristown, Northfield, Richland, Shieldsville, Walcott, Warsaw, Webster, Wells, Wheatland and Wheeling For cities marked with an asterisk (*) above, part of the ZIP code is outside Rice County
Rochester	55901-55906, 55960, 55976	Rochester
St. Cloud Area	55320, 55353, 55382, 56301-56304, 56372, 56374, 56377, 56379, 56387, 56388, 56393, 56395-56399	St. Cloud, Sartell, Sauk Rapids, St. Augusta, St. Joseph, Waite Park
St. Cloud	56301-56304	St. Cloud

Local/Special Tax	General ZIP Code Area	Cities or Towns Where Tax Applies
St. Paul	55101-55109, 55113, 55114, 55116-55119, 55130, 55133, 55145, 55146, 55155, 55164-55166, 55168-55172, 55175, 55199	St. Paul
Transit Improvement (see note below table)	Includes counties of Anoka, Dakota, Hennepin, Ramsey, and Washington. See our website for specific cities and ZIP codes in the transit tax area.	
Two Harbors	55616	Two Harbors
Wadena County	56434, 56464, 56470, 56477, 56479, 56481, 56478, 56482	<p>Cities Aldrich, Menahga, Nimrod, Sebeka, Staples*, Verndale, and Wadena</p> <p>Townships Aldrich, Blueberry, Bullard, Huntersville, Leaf River, Lyons, Meadow, North Germany, Orton, Red Eye, Rockwood, Shell River, Thomastown, Wadena, and Wing River</p> <p>For cities marked with an asterisk (*) above, part of the ZIP code is outside Wadena County</p>
Willmar	56201	Willmar
Worthington	56187	Worthington

Note: Hennepin County and Transit Improvement taxes apply at the Minneapolis-St. Paul International Airport and the Hubert H. Humphrey Airport Terminal.

However, city taxes do not apply at the Minneapolis-St. Paul International Airport, the Hubert H. Humphrey Airport Terminal or the Minnesota State Fairgrounds because they are not within the city limits of Minneapolis or St. Paul.

The Transit Improvement tax applies at the Minnesota State Fairgrounds

References

- M. S. 297A.95, Coordination of state and local sales tax rates
- M. S. 297A.99, Local sales taxes
- M. S. 297A.63, Use Taxes Imposed; Rates
- M. S. 297A.98, Local governments exempt from local sales taxes

Other fact sheets you may need

- 164M, Minneapolis Special Local Taxes
- 142, Sales to Government
- 164S, Special Local Taxes

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Comments**

Docket No. E001/M-14-105

Dated this 4th day of **March 2014**

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Bobby	Adam	bobby.adam@conagrafoods.com	ConAgra	Suite 5022 11 ConAgra Drive Omaha, NE 68102	Electronic Service	No	OFF_SL_14-105_14-105
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_14-105_14-105
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City	Clerk	sschulte@ci.albertlea.org	City of Albert Lea	221 E Clark St Albert Lea, MN 56007	Paper Service	No	OFF_SL_14-105_14-105
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First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_14-105_14-105
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Steven	Nyhus	swnyhus@flaherty-hood.com	Flaherty & Hood PA	525 Park St Ste 470 Saint Paul, MN 55103	Electronic Service	No	OFF_SL_14-105_14-105

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Ron	Spangler, Jr.	rlspangler@otpc.com	Otter Tail Power Company	215 So. Cascade St. PO Box 496 Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_14-105_14-105
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