

Fergus Falls 0.5% Sales and Use Tax

www.taxes.state.mn.us

Beginning January 1, 2012, the city of Fergus Falls 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 finance a regional ice arena.

The sales tax applies to retail sales made within the city limits of Fergus Falls. The use tax applies to taxable items used in Fergus Falls 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 Fergus Falls 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 Fergus Falls must be registered to collect the Fergus Falls city tax. This includes sellers outside Fergus Falls who:

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

Registering for the tax

- Access your e-Services Sales and Use tax account. Click "Sales Locations" from the menu. Click the "Location Code" ID for the location you wish to edit. Click "Click Here to Edit Local Information". Click the check box for Fergus Falls and select January from the drop-down box. Click "Submit" in the navigation bar on the left. Click "OK".
- If you file over the internet, you may register for the Fergus Falls tax when you file your January

sales and use tax return (before you enter your figures). At the "Tax Inputs" screen, click "Add a Record". Use the Tax Type drop-down box to select NAME OF CITY.

- If you file by phone, you must register for the Fergus Falls 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.

Fergus Falls 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

Fergus Falls use tax applies when you are located in Fergus Falls and you buy items or services without paying Fergus Falls 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 Fergus Falls sales tax and you use the item for business or personal use in Fergus Falls
- You buy items for resale at your business, and then remove some of the items from inventory for business or personal use in Fergus Falls

Calculating the tax

To calculate the tax, combine the state sales tax rate (currently 6.875 percent) with the Fergus Falls tax rate (0.5 percent) and apply the combined rate (7.375 percent) to 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 Fergus Falls sales tax to customers from in or outside Fergus Falls who pick up items in Fergus Falls for business or personal use, even if the items are taken out of Fergus Falls.

Charge Fergus Falls sales tax to customer from in or outside Fergus Falls if you perform taxable services, such as dry cleaning or car washing, for them in Fergus Falls.

Do not charge Fergus Falls sales tax on sales of taxable items when you deliver the items outside the Fergus Falls city limits.

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 Fergus Falls 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

Tangible items

Fergus Falls tax does not apply to sales of tangible items or vehicles sales if you have a bona fide written contract enforceable before January 1, 2012, and the items are delivered on or before March 1, 2012.

Service contracts

If there is an enforceable contract for taxable services in effect before January 1, 2012, and payment is made before January 1, 2012 and the services were provided before March 1, 2012, Fergus Falls sales tax does not apply. However, the Fergus Falls sales and use tax shall apply to payments made on or after January 1, 2012, to provide taxable services.

Leases

Fergus Falls sales tax does not apply to lease payments that include periods before January 1, 2012. It does apply to lease payments for periods beginning January 1, 2012, or after. If the lease is for a vehicle that requires an upfront payment of state sales tax, Fergus Falls sales tax is also due up-front for leases entered into January 1, 2012 or after, if the vehicle is principally garaged in Fergus Falls.

Utility Sales

Fergus Falls tax does not apply to utility bills that include charges for service for any date before January 1, 2012. It does apply to utility bills for services periods beginning January 1, 2012.

Admission Tickets

If admission tickets are purchased and paid for before January 1, 2012, the Fergus Falls sales tax does not apply, even if the event occurs January 1, 2012, or after.

Construction Contracts

Fergus Falls sales and use taxes do not apply to building materials for a lump-sum construction contract in force before January 1, 2012, if delivery is made before July 1, 2012. To qualify for the exemption:

- the construction contract must be signed and in force before January 1, 2012

- 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 July 1, 2012. Purchases delivered after that date are subject to Fergus Falls sales tax.

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 Fergus Falls tax is exempt. State and other local sales and use taxes still apply.

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.taxes.state.mn.us