



This Week in State Tax (TWIST)

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Minnesota: Guidance Issued on Retail Delivery Fee

Recently, the Minnesota Department of Revenue issued [guidance](#) on its website addressing the retail delivery fee that applies beginning on July 1, 2024. Recall, this new \$0.50 fee is imposed on each taxable transaction involving certain retail deliveries in Minnesota. Generally, deliveries subject to the fee include those transactions of \$100 or more that are subject to the sales tax. It should be noted that sales of clothing over \$100 are also subject to the fee, despite being exempt from Minnesota's sales tax. Product-based exemptions from the fee exist for drugs; medical devices, accessories, and supplies; food, food ingredients, or prepared food; and baby products. Certain of the baby products exempt from the retail delivery fee are subject to sales tax; other baby products will be exempt from both the fee and the sales tax. To the extent a transaction contains taxable and exempt items, only the taxable items are considered for purposes of calculating the \$100 taxable items threshold. The guidance confirms that shipping charges will be included in determining whether the transaction is subject to the fee. For example, if a taxpayer orders \$90 of taxable goods and the shipping charge is \$15 dollars, the fee applies. The retail delivery fee is not refundable if any or all items purchased are returned to a retailer or if the retailer provides a refund or credit in the amount equal to or less than the purchase price. If the retail delivery is canceled, the fee must be refunded to the purchaser. The delivery fee itself is not subject to sales tax if separately stated on the receipt or invoice.

There are also certain retailers that are not required to collect the fee. Specifically, retailers that made Minnesota retail sales totaling less than \$1 million in the previous calendar year are not required to collect the fee. Marketplace facilitators are required to collect the fee for sales facilitated on behalf of certain retailers only. Importantly, marketplaces will need to determine which of their retailers (i.e., marketplace sellers) had \$100,000 or more of facilitated sales into Minnesota during the previous calendar year and collect the fee on sales made by those marketplace sellers exceeding the \$100,000 taxable sales threshold. When calculating the threshold to determine if a particular retailer is not required to collect the fee, all retail sales (both taxable and nontaxable) are counted. However, sales made for resale are not counted.

The recent guidance confirms that the Department will register retailers for the retail delivery fee. It is not clear whether the Department will also register marketplace facilitators. A retailer that is not registered may register itself via its e-Services account. The fee will be reported on the new Retail Delivery Fee tax line of the Sales and Use Tax Return. If the purchaser of the goods has a direct pay permit, the retailer is still required to collect and remit the fee to the Department. Please contact [Alana Purvis](#) with questions.

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