

Albert Lea 0.5% Sales and Use Tax

Beginning April 1, 2006, the city of Albert Lea will have a one half of one percent sales and use tax.

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

Vehicles. The Albert Lea tax *does not apply to sales* of motor vehicles registered for road use. However, it *does apply to leases and rentals* of vehicles.

The Minnesota Department of Revenue will administer and collect the tax for the city. The tax will be used to fund lake improvement projects.

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

Who must be registered

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

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

How to register and report Albert Lea tax

The Albert Lea sales and use tax is reported at the same time you report your Minnesota sales and use tax, but the figures are reported separately. To register for Albert Lea sales or use tax:

- 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 Albert Lea tax.

- If you file over the internet, you may register for the Albert Lea tax on-line when you file your April sales tax return. On the "File a return" page, click "Add a sales tax type" and check the box for Albert Lea tax (before you enter your figures).
- If you file by phone, you must register for local tax *before* you file your return. Call 651-282-5225 or e-mail us at salesuse.tax@state.mn.us to register. Be sure to include your MN ID number if you send us an e-mail.

Use tax

Albert Lea use tax applies when you are located in Albert Lea and you buy items or services without paying Albert Lea 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 over the internet, by phone, or from any business and the seller doesn't charge Albert Lea sales tax, and you use the item for business or personal use in Albert Lea.
- You buy items for resale at your business (located in Albert Lea), then remove some of the items from inventory for business or personal use.

Figuring the tax

To figure the tax, combine the state sales tax rate (6.5 percent) and the Albert Lea 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 available on our web site on the Sales and Use tax forms and instructions page.

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

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

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

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

Exemption certificates

If your customer gives you an exemption certificate for state sales tax, you should also use that certificate as proof of exemption from Albert Lea sales tax.

How to handle transitional sales

Tangible items

Albert Lea tax does not apply to sales of tangible items if you have bona fide written contracts enforceable before April 1, 2006, and the items are delivered on or before June 30, 2006.

Service contracts

If you have contracts to provide taxable services that were in effect before April 1, 2006, Albert Lea tax applies to payments made on or after June 1, 2006, for services provided on or after April 1, 2006.

Leases

Albert Lea tax does not apply to lease payments that include periods before April 1, 2006. It does apply to lease payments for periods beginning April 1, 2006, or after. If the lease is for a vehicle that requires an up-front payment of state sales tax, Albert Lea tax is also due up front for leases entered into April 1, 2006, or after if the vehicle is principally garaged in Albert Lea.

Utility sales

Albert Lea tax does not apply to utility bills that include charges for service for any date before April 1, 2006. It does apply to utility bills for service periods beginning April 1, 2006, or after.

Construction contracts

Albert Lea tax does not apply to building materials for a lump sum construction contract in force before April 1, 2006, if delivery is made before January 1, 2007.

Contractors claiming exemption from Albert Lea tax may apply for a special exemption certificate, Form ST-8. To qualify for the exemption:

- the construction contract must be signed and in force before April 1, 2006;
- 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 January 1, 2007. Purchases delivered after that date are subject to Albert Lea tax.

To apply for the special exemption certificate, a contractor must send a copy (to the address below) of the entire construction contract or the portion of the contract that includes:

- 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 send the contractor either the exemption certificate or a letter explaining why the contract does not qualify. The contractor should give copies of the 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.

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