



TaxNewsFlash

United States



No. 2023-189
May 31, 2023

Minnesota: Retail delivery fee imposed on retailers effective July 1, 2024

Minnesota House File 2887, a comprehensive transportation policy and funding bill signed into law on May 24, 2023, imposes a new 50 cent retail delivery fee on retailers in certain circumstances.

The fee is similar to the retail delivery fee imposed on delivery transactions in Colorado but is considerably more complex because numerous products and transactions are excluded from the scope of the fee.

The fee is imposed on each transaction that exceeds a “threshold amount” involving a retail delivery in Minnesota. The threshold amount is \$100 before the application of state and local sales tax and excluding any exempt items. A retail delivery means a delivery to a person located in Minnesota as part of a retail sale of (1) tangible personal property subject to sales and use tax, and (2) clothing, excluding diapers. A retail delivery does not include a transaction that is picked up at the retailer’s place of business, including curbside delivery.

Although the fee is imposed on retailers, it may be collected from purchasers. If the retailer elects to collect the fee from purchasers, it must be charged in addition to any other delivery fee and must be identified separately on invoices as the “road improvement and food delivery fee.” If the fee is separately stated on the invoice or bill or sale, the fee will be excluded from the sales price and not subject to sales tax. The fee is imposed once per transaction regardless of whether multiple shipments are necessary to deliver the items of tangible personal property purchased.

Retail deliveries of certain types of goods are exempt from the fee:

- Certain motor vehicles
- Food, food ingredients, or prepared food, including any deliveries from a food and beverage establishment even if the retail delivery is made by a third party
- Drugs and medical devices, accessories, and supplies
- Baby products

The listing of transactions involving the delivery of “baby products” exempt from the delivery fee encompasses substantially more products than are exempt from the retail sales tax. For example, the

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sales and use tax exemption for baby products does not include baby swings or infant eating utensils, but such items are included in the list of items in the definition of “baby products” for purposes of the retail delivery fee.

Retail deliveries to purchasers exempt from sales tax are also exempt from the fee. In addition, a retailer that made retail sales totaling less than \$1 million in the previous calendar year is exempt from the fee, as are marketplace providers when facilitating the sale of a retailer that made retail sales totaling less than \$100,000 in the previous calendar year through the marketplace provider.

Collection of the fee by or for retailers must commence on the beginning of a month that is not less than 60 days after the date on which they exceed the sales threshold. Administration of the fee is generally governed under the schedule and rules for collecting and remitting sales and use taxes.

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