

Cook County 1% Sales and Use Tax

Beginning April 1, 2010, Cook County will have a one percent sales and use tax that will be administered by the Minnesota Department of Revenue. The revenues will be used to fund the construction, improvements, and additions to county community centers and public recreation areas, including, but not limited to, improvements and additions to the public parking areas; construction of and improvements to the Grand Marais Public Library, a countywide high-speed communications infrastructure network, and a district energy plant for public facilities in Grand Marais.

The *sales tax* applies to retail sales made within the limits of Cook County. The *use tax* applies to taxable items used in Cook County 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 Cook County 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 web site.

Who must be registered

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

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

How to register and report Cook County tax

To register for Cook County 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 Cook County tax.

- If you file over the internet, you may register for the Cook County 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 Cook County tax (before you enter your figures).
- If you file by phone, you must register for local tax before you file your return. Call 1-800-657-3605 or e-mail us at Business.Registration@state.mn.us to register. Be sure to include your MN ID number if you send us an e-mail.

Cook County 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

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

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

Figuring the tax

To figure the tax, combine the state sales tax rate (6.875 percent) and the Cook County rate (1.0 percent), apply the combined rate (7.875 percent) to the sales price and round to the nearest full cent. A 7.875 percent rate chart is available on our website. Paper rate charts are available upon request.

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

Charge Cook County sales tax to customers from in and outside Cook County if you perform taxable services such as, dry cleaning or car washing, for them in Cook County.

Do **not** charge Cook County sales tax on sales of taxable items when you deliver the items outside the Cook County limits.

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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 Cook County 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.

How to handle transitional sales

Tangible items

Cook County tax does not apply to sales of tangible items if you have a bona fide written contract enforceable before April 1, 2010, and the items are delivered on or before June 30, 2010.

Service contracts

If there is an enforceable contract for taxable services in effect before April 1, 2010, and payment is made before April 1, 2010 and the service is provided before June 30, 2010, Cook County sales tax does not apply. However, the Cook County sales and use tax shall apply to payments made on or after April 1, 2010, to provide taxable services.

Leases

Cook County sales tax does not apply to lease payments that include periods before April 1, 2010. It does apply to lease payments for periods beginning April 1, 2010, or after. If the lease is for a vehicle that requires an up-front payment of state sales tax, Cook County sales tax is also due up-front for leases entered into April 1, 2010, or after, if the vehicle is principally garaged in Cook County.

Utility sales

Cook County tax does not apply to utility bills that include charges for service for any date before April 1, 2010. It does apply to utility bills for service periods beginning April 1, 2010, or after.

Admission tickets

If admission tickets are purchased and paid for before April 1, 2010, the Cook County sales tax does not apply, even if the event occurs April 1, 2010, or after.

Construction contracts

New procedure! To claim exemption, contractors and subcontractors must now use Form ST3 (Revised 6/08), which is now available on our web site. No need to apply to our office for an ST8 Contractors Exemption Certificate, as was done in the past.

Cook County sales and use taxes do not apply to building materials for a lump-sum construction contract in force before April 1, 2010, if delivery is made before September 30, 2010. To qualify for the exemption:

- the construction contract must be signed and in force before April 1, 2010;
- 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 September 30, 2010. Purchases delivered after that date are subject to Cook County sales tax.

Documentation. 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 Cook County 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
E-mail: salesuse.tax@state.mn.us
Web site: www.taxes.state.mn.us
Write: Minnesota Revenue
Sales and Use Tax Division
Mail Station 6330
St. Paul, MN 55146-6330