



This Week in State Tax (TWIST)

June 5, 2023



MINNESOTA



to listen to the
podcast please
[click here.](#)

Minnesota: Retail Delivery Fee Effective July 1, 2024

Minnesota House File 2887, a comprehensive transportation policy and funding bill, was signed into law on May 24, 2023. In addition to making numerous motor fuel and vehicle tax changes, the legislation 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. Although the fee is imposed on retailers, it may be collected from purchasers. 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.

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.

Certain types of retail deliveries are exempt from the fee, including (1) a retail delivery to a purchaser that is exempt from sales tax; (2) a retail delivery of certain motor vehicles; (3) a retail delivery resulting from a retail sale of food, food ingredients, or prepared food; (4) a retail delivery resulting from a retail sale by a food and beverage establishment even if the retail delivery is made by a third party; (5) a retail delivery resulting from a retail sale of drugs and medical devices, accessories and supplies as defined in the retail sales tax; and (6) a retail delivery resulting from a retail sale of baby products as defined in the bill. 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 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.

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 these 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.

Please contact [Alana Purvis](#) or [Jamie Louwagie](#) with questions on Minnesota's retail delivery fee.



For more news and insights on tax developments, follow KPMG's U.S. Tax practice on Twitter – [@KPMGUS_Tax](#).

kpmg.com/socialmedia



© 2023 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. NDP000670-1S

The following information is not intended to be "written advice concerning one or more federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230.

The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.