

Memo

Re: Purchases of Alcoholic Beverages – Change to Exemption

By: Heather Broneak, ^{KB} Assistant Tax Director

Dated: July 1, 2009

UNIVERSITY PURCHASES OF ALCOHOLIC BEVERAGES TAXABLE EFFECTIVE JULY 1, 2009

Purchases Before July 1, 2009

Previously, the University of Minnesota was exempt from sales tax on alcoholic beverages and the gross receipts tax on alcoholic beverages. Although the University does not use University funds to pay for alcoholic beverages, when money came directly out of a University gift account to pay for the alcoholic beverages, they were able to be purchased exempt from tax until June 30, 2009.

Purchases After June 30, 2009

Due to a change to the University's sales tax exemption made during the 2009 legislative session, all purchases of alcoholic beverages by the University after June 30, 2009, are subject to sales tax and the gross receipts tax on alcoholic beverages. Typically, purchases of alcoholic beverages will occur when a University department is gifted money to be used for a University event. The alcoholic beverages frequently are purchased through a caterer, hotel or a liquor store. Effective July 1, 2009, purchases of alcoholic beverages by the University are subject to tax.

If you have previously informed a seller that the University is exempt from tax on purchases of alcoholic beverages, you must inform them that the exemption does not apply after June 30, 2009. If you are invoiced for purchases of alcoholic beverages made after June 30, 2009, make sure tax has been charged. If not, contact the seller to let them know they need to collect and remit tax on the sale.

“Alcoholic beverages” means beverages that are suitable for human consumption that contain one-half of one percent or more of alcohol by volume.

Exclusions from University's Sales Tax Exemption

Effective July 1, 2009, alcoholic beverages are added to the list below of items subject to Minnesota sales tax when the University purchases them:

- Lodging
- Prepared food
- Candy
- Soft Drinks
- Motor Vehicle Leases and Purchases, and
- Waste Disposal Services
- Alcoholic Beverages

Please contact the Tax Management Office at 612-624-1053 or taxhelp@umn.edu with any questions.