

8130.1800 GROSS RECEIPTS DEFINED; METHOD OF REPORTING.

Subpart 1. **Gross receipts.** The sales tax is imposed upon the gross receipts from retail sales. "Gross receipts" are defined in Minnesota Statutes, section 297A.61, subdivision 8, as the total amount received, in money or by barter or exchange, for all retail sales (see Minnesota Statutes, section 297A.61, subdivision 4) as measured by the sales price. (See Minnesota Statutes, section 297A.61, subdivision 7.)

The person filing the return may report gross receipts either:

- A. on the cash basis as the consideration is received; or
- B. on the accrual basis as sales are made.

An election is deemed to have been made to report gross receipts under the method of accounting on the basis of which the person filing the return regularly computes income for tax purposes, unless he or she can demonstrate to the commissioner that a method of accounting for gross receipts subject to the sales tax (which differs from the method of accounting employed for other purposes) will not prevent or make difficult an orderly and systematic audit of the records by the commissioner. An application shall be made to the commissioner for permission to change the method of reporting.

Subp. 2. **Cash basis.** If sales are made at retail on a strictly cash basis, the retailer shall report gross receipts on the basis of cash or other consideration received, minus the exclusions and deductions from the total consideration allowed under Minnesota Statutes, sections 297A.61, subdivision 7, and 297A.67 to 297A.71.

Subp. 3. **Accrual basis.** A person who reports income on the accrual basis is required to report gross receipts as the sales are made, minus the exclusions and deductions from the total consideration allowed under Minnesota Statutes, sections 297A.61, subdivision 7, and 297A.67 to 297A.71, regardless of when cash from such sales is received.

Example 1. A supermarket's gross sales for May, are \$200,000, of which \$175,000 are represented by exempt products. In addition, cash refunds of \$1,000 for exempt products returned were made. The computation for the supermarket, which is on a cash basis, is as follows:

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| Gross receipts | \$200,000 |
| Less: refunds for property returned | 1,000 |
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| Gross receipts adjusted | \$199,000 |
| Sales of exempt property | \$175,000 |
| Less: refunds for exempt property returned | 1,000 |

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|------------------------|-------|-----------|
| | <hr/> | \$174,000 |
| Taxable gross receipts | <hr/> | \$ 25,000 |

Example 2. A department store has cash sales of \$500,000 and charge sales of \$750,000 for the month of October. The department store reports on the accrual basis. Consequently, the department store reports as gross sales \$1,250,000 on the sales and use tax return it files for this month.

Statutory Authority: *MS s 14.388; 270C.06; 297A.29*

History: *17 SR 1279; L 2005 c 151 art 1 s 114; 31 SR 449*

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