

1 Minnesota Department of Revenue  
2 Adopted Permanent Rules Governing Sales and Use Tax; Deductions  
3 in Computing Sales Price

4 8130.1700 DEDUCTIONS ALLOWABLE IN COMPUTING SALES PRICE.

5 Subpart 1. [See repealer.]

6 Subp. 2. [See repealer.]

7 Subp. 5. [See repealer.]

8 Subp. 6. Refunds for property adjustments. Where taxable  
9 property is returned, the retailer's reported gross receipts may  
10 be reduced in the month the property is returned by the amount  
11 of the sales price refunded, provided that the applicable sales  
12 tax has also been refunded. If the credit given or the cash  
13 refunded for the returned merchandise is reduced by a handling  
14 charge, the entire amount of sales tax collected should be  
15 refunded and a reduction of gross sales for the full sales price  
16 should be taken on the sales and use tax return. Where a  
17 purchaser of taxable property makes a gift of such property, and  
18 subsequently the recipient of the gift returns the property to  
19 the vendor and requests a refund of the amount paid for the  
20 property, the recipient is entitled to a refund of the sales tax  
21 applicable to the amount of the sales price that is refunded.  
22 Repossession of tangible personal property does not constitute a  
23 return of property. Merchandise that was sold on approval and  
24 later returned may be deducted from gross receipts.

25 Adjustments to the sales price because of unknown damage at  
26 the time of sale, i.e. scratches, dents, etc., but not detected  
27 until a later time, may be deducted from gross receipts.

1           Example 1. A hardware dealer sells a customer a lawnmower  
2 for \$100. The customer pays \$100 plus sales tax. As the  
3 lawnmower was defective, it was returned to the hardware dealer,  
4 and the total price including sales tax paid was refunded to the  
5 customer. Gross receipts will be reduced by \$100.

6           Example 2. Retail Tires sells four new tires to a customer  
7 at \$40 each under guarantee in June. In August, the customer  
8 returns one tire and is given a cash refund of \$30 plus tax.  
9 Retail Tires may reduce gross sales by the \$30 refunded on the  
10 August sales and use tax return.

11           Example 3. A purchases taxable personal property from a  
12 retailer at a price of \$100 plus sales tax. A then makes a gift  
13 of the property to B. B returns the property to the retailer  
14 and requests a refund of the amount paid for the property. B  
15 (the donee of the gift) is entitled to a refund of the \$100  
16 sales price plus sales tax. The retailer may reduce gross sales  
17 by \$100 on the sales tax return for merchandise returned and  
18 thereby receive credit for the amount of refundment.

19           Example 4. A lumber company sells 20 redwood posts to a  
20 customer for \$100 plus sales tax. The customer decides not to  
21 use the posts and returns them to the lumber company. The  
22 lumber company has a policy of refunding all but \$10 on all  
23 returned merchandise. This \$10 represents a handling fee for  
24 placing the merchandise back into stock. The lumber company is  
25 required to refund the customer the entire sales tax and claim a  
26 reduction of \$100 in gross sales on its sales and use tax return.

27           Subp. 7. [See repealer.]

05/15/06

[REVISOR ] JMR/SA AR3489

1 REPEALER. Minnesota Rules, parts 8130.1600; and 8130.1700,  
2 subparts 1, 2, 5, and 7, are repealed.