

# MINNESOTA · REVENUE

November 2, 2009

Scott Peterson, Executive Director  
Streamlined Sales Tax Governing Board  
4205 Hillsboro Pike, #305  
Nashville, TN 37215

Dear Mr. Peterson:

The letter is to address the concerns raised in the “Preliminary Report on 2009 Annual Recertification” concerning Minnesota’s compliance with the Streamlined Sales and Use Tax Agreement.

Two issues were raised concerning Minnesota’s compliance:

1. **No 30 day rule for rate changes.**

**State response:** The provision requiring states to provide relief of liability when at least 30 days notice is not provided for rate changes was added to Section 304 of the Agreement on September 5, 2008. However, Section 809.B. provides that member states cannot be sanctioned for failing to be in compliance with any amendment to the Agreement if the amendment requires the state to make a statutory change until the later of January 1 at least two years after the adopting of the amendment or the first day of a calendar quarter following the end of one full session of the state’s legislature. Under this provision, Minnesota has until January 1, 2011 to be found out of compliance for this issue. Minnesota does intend to propose legislation for the 2010 Legislative Session to provide the relief of liability in Section 304 of the Agreement.

2. **Ringtones.** Minnesota does not impose sales and use tax on “digital audio works,” but does impose tax on “ringtones” which is included in the definition of “digital audio works.”

**State response:** This issue was noted on Minnesota’s Taxability Matrix (Revised July 2009). Minnesota understands that we will be out-of-compliance effective January 1, 2010 unless changes are made to either exempt ringtones or to impose sales and use tax on “digital audio works.” Legislation proposed for 2009 did not pass. Minnesota intends to propose legislation again for the 2010 Legislative Session to come into compliance with this issue.

If you have questions or require additional information, please contact me directly.

Sincerely,

Larry D. Wilkie, Assistant Commissioner  
Minnesota Department of Revenue  
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