

Sales/Use/Indirect:

Minnesota DOR Addresses Taxability of Digital Products, Including Non-Fungible Tokens (NFTs)

Sales Tax Fact Sheet 177, Minn. Dept. of Rev. (rev. 8/22). The Minnesota Department of Revenue (Department) issued a fact sheet explaining how Minnesota sales and use tax applies to digital products, including announcing that non-fungible tokens (NFTs) are subject to state sales and use tax when the underlying product (goods or services) is taxable in Minnesota. According to the Department, NFTs may entitle purchasers to receive products or services, including but not limited to:

URL: <https://www.revenue.state.mn.us/sites/default/files/2022-08/FS177.pdf>

- Digital products such as music, audio visual works, or video games;
- Admissions to sporting events or concerts;
- Prepared food and beverages; and
- Tangible personal property such as collectibles or memorabilia.

The Department also explains that sales of specified digital products, other digital products, and digital codes generally are taxable in Minnesota and provides explanations for each of these categories, clarifying that when taxable digital products are bundled with nontaxable items and sold for one lump-sum price, the entire sale is taxable unless the price of the taxable item or service is *de minimis*. The Department also describes applicable sourcing rules and how some digital products are exempt from taxation in Minnesota. Please contact us with any questions.

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