

Other/Miscellaneous:

Minnesota: State High Court Affirms that Wholesale Drug Distributor May Exclude Customer-Earned Rebates from Gross Revenue Tax Base

Case No. A23-1973, Minn. (11/6/24). The Minnesota Supreme Court (Court) affirmed that for purposes of computing Minnesota's Wholesale Drug Distributor Tax (WDDT), taxable "gross revenues" does *not* include certain rebate amounts paid to a wholesale drug distributor's customer pursuant to a rebate agreement. The underlying case concerned whether amounts that were invoiced to the taxpayer's customers for the purchase of wholesale legend drugs – but were either credited to the customer's account or returned via check pursuant to a rebate agreement – must be included in the taxpayer's "gross revenues" for WDDT purposes. In holding for the taxpayer, the Court essentially agreed with the Minnesota Tax Court, which referenced the definition of "gross revenues" under statute as "total amounts received in money or otherwise" and determined that the taxpayer in this case did not "receive" the rebate amounts because it was contractually obligated to pay the amounts to customers once the rebates were earned. Please contact us with any questions.

URL: <https://www.mncourts.gov/mncourtsgov/media/Appellate/Supreme%20Court/Standard%20Opinions/OPA231973-110624.pdf>

— Ray Goertz (Minneapolis)
Managing Director
Deloitte Tax LLP
rgoertz@deloitte.com

Dave Dunnigan (Minneapolis)
Senior Manager
Deloitte Tax LLP
ddunnigan@deloitte.com

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