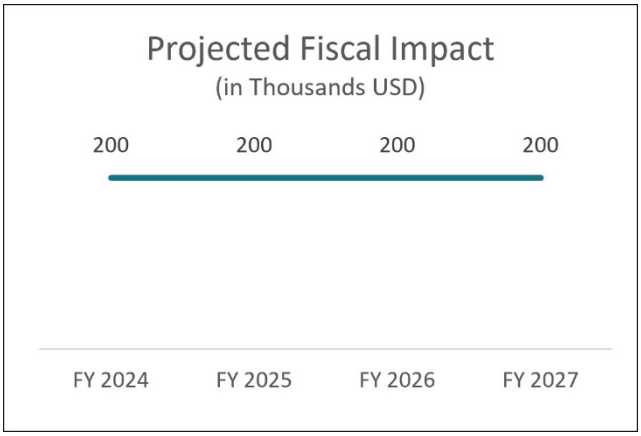
Consumer Purchases Made Out-of-State

Tax Expenditure Initial Review - TEB 7.1.01

Tax Expenditure Facts

Year Enacted	1947
Statute	Minnesota Statutes 2025, section 297G.07, subdivision 2
Tax Type	Alcoholic Beverages
Provision Type	Exemption
Latest Fiscal Impact Estimate	$200,000 – Fiscal Year 2027
Latest Claims Estimate	Direct measure of this estimate is not currently available
Expiration Date	None



Tax Expenditure Description

A person entering Minnesota from another state may have in possession one liter of distilled spirits or wine or 288 ounces of beer without paying the alcoholic beverage excise tax. A person entering Minnesota from a foreign country may have in possession four liters of distilled spirits or wine or 320 ounces of beer without paying the Minnesota excise tax. The alcoholic beverage must accompany the person into the state and cannot be sold or used commercially.

Additional Background Information

Beneficiaries of this tax exemption include individuals entering the state in possession of certain quantities of alcoholic products purchased beyond the borders of Minnesota for the purpose of personal consumption and not for resale. The exemption is administered by the Department of Revenue and the Department of Public Safety. The Exemption of Consumer Purchases Made Out-of-State reduces the amount of excise tax revenue that would otherwise be generated. State alcohol excise tax collections are deposited in the state General Fund.

Proposed Tax Expenditure Objective for Consideration

The objective of the Minnesota Exemption for Consumer Purchases Made Out-of-State is to allow individuals to import reasonable amounts of alcoholic products for personal consumption, and to focus administrative responsibility of the excise tax mainly on commercial importers.

Sources

An explicit tax expenditure objective was not identified in the legislative record.

This exemption from the excise tax was created in 1947 for imports of one gallon or less, and was further clarified in 1957 to explicitly exempt individuals from the excise tax for imports within the one gallon threshold. Amendments have since addressed allowable quantities and products, and penalties for violations. Despite these amendments, the essence of the law remains consistent, allowing importation of alcoholic products for personal consumption and exempting these products at certain thresholds from the excise tax. Imports at levels above the threshold are subject to the excise tax.

A legal opinion submitted by the Minnesota Attorney General in 1971 stated the exemption was designed to enable an individual to bring into the state a reasonable amount of intoxicating liquor for personal consumption. Any amounts imported beyond the tax-exempt threshold would be subject to excise taxes paid to the Liquor Control Commissioner at that time.[i] Advisory opinions are not legally binding.

At the federal level, U.S. Customs and Border Protection policies treat alcohol importations similarly to Minnesota law. Alcohol importation for personal consumption is not subject to customs tax as long as the products are accompanied by the individual traveler. Imported alcohol that exceeds a reasonable amount as determined by the agency may raise suspicion of commercial motivations, and the traveler may be required to apply for an importation license to collect their products.[ii]

Iowa allows the importation of limited amounts of liquor for personal consumption on private property. [iii] The Iowa Department of Revenue's Alcoholic Beverage Division is the designated administrator for regulation and licensing. The administrative code states that the Division makes no judgment or decision regarding any tax liability resulting from the personal importation of alcoholic liquor, wine, or beer.[iv]

North Dakota and Wisconsin require licensure to import liquor or beer into the state and do not exempt such products from taxation. South Dakota law is silent on importation of alcohol for personal consumption.

Potential Metrics and Performance Measures

There is limited information available on sales tax compliance and collection, which could create potential challenges for conducting a thorough evaluation. The following are evaluation considerations with respect to administrative burden and enforcement actions:

- Assess the efforts of the Department of Public Safety to regulate the importation of alcohol beyond the levels allowed for personal consumption and conduct an analysis of resources allocated to regulation and enforcement, and perform an analysis of state revenue produced from regulation and enforcement activities.
- Perform a return on investment analysis of resources allocated to regulation and enforcement and the resulting state revenues.

Contact Information and Disclaimer

This tax expenditure review was prepared by the Legislative Budget Office for the Tax Expenditure Review Commission pursuant to Minnesota Statutes 2025, section 3.8855, subdivision 4.

Notice: Proposed Tax Expenditure Objective statements are not binding authority and should not be used as a legal interpretation of any tax expenditure statute.

For questions regarding this review, please contact the Legislative Budget Office at 651-297-7146 or lbo@lbo.mn.gov.

9/9/2026

For more information, please visit the Tax Expenditure Review Commission website.

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[i] Op.Atty.Gen., 218-d, Oct 7, 1971.

[ii] U.S. Customs and Border Protection. Requirements for Importing Alcohol for Personal Use. Published December 08, 2022. Accessed on 02/23/2023. https://help.cbp.gov/s/article/Article-212?language=en_US.

[iii] Iowa Code 2025, Section 123.10, 123.22, 123.171, 123.122

[iv] Iowa Administrative Code 2025, 185.9.1