SALES AND USE TAX
Accelerated June Payment

March 7, 2001

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 184 (Abrams) / S.F. 1163 (Rest)
Identical Bill H.F. 338 (Erhardt) / S.F. 396 (Oliver)
Analysis Revised for February 2001 Revenue Forecast

	Revenue Gain or (Loss)			
	F.Y. 2002	**F.Y. 2003**	**F.Y. 2004**	**FY2005**
	(000's)			
General Fund	$(143,600)	$(10,630)	$(8,590)	$(9,050)

Effective for June 2002 and thereafter

EXPLANATION OF THE BILL

Current Law: For vendors required to remit sales and use tax on a monthly basis, the tax is due on the 20th day following the month in which a sale is made. For example, the tax collected from sales made in August would be due by September 20.

A vendor having an annual sales and use tax liability of $120,000 or more must make all payments by means of electronic funds transfer and remit 62 percent of their estimated June liability in June (two business days prior to June 30). The balance of the June liability is due by August 14.

Proposed Law: The bill repeals the accelerated June payment requirement for the general sales and use tax. The sales threshold and requirement for paying via electronic funds transfer remain unchanged.

REVENUE ANALYSIS DETAIL

- The estimate was based on accelerated payments received in June 2000. Growth was calculated from the February 2001 Department of Finance forecast of the annual change in net sales and use tax revenue. The analysis assumed that June estimated payments follow changes in overall sales tax receipts.
- The repeal creates a time shift in revenue collections. The main impact occurs in the initial fiscal year because the accelerated payments normally received in the last month of that year (June) are shifted into the following year. The shift's impact in the out-years was calculated as the difference between the accelerated amounts forecast to be remitted in June under current law and the effect of shifting those amounts to July of the following fiscal year. For example, $143.6 million in tax payments are estimated to be received in fiscal year 2002 and $154.23 million are estimated for FY 2003. With repeal, the $143.6 million now accelerated into FY 2002 would be collected in FY 2003,

and the $154.23 million now accelerated into FY 2003 would be collected in FY 2004. In effect, the "tails" result from the forecast annual growth in the June payments.

Number of Businesses Affected: Based on FY 2000 data, approximately 3,700.

ADMINISTRATIVE/OPERATIONAL IMPACT

There will be no significant administrative or operational costs or savings to DOR in administration of this bill.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/polic.html#analyses

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