SALES AND USE TAX
Resolution to Congress
Regarding Internet and
Other Remote Sales

April 8, 2003

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

Department of Revenue
Analysis of H.F. 207 (Latz) / S.F. 232 (Kelley)

	Revenue Gain or (Loss)			
	F.Y. 2004	**F.Y. 2005**	**F.Y. 2006**	**F.Y. 2007**
	(000's)			
General Fund	$0	$0	$0	$0

EXPLANATION OF THE BILL

Current Law: To the extent allowed by the U.S. Constitution and federal law, a retailer that does not maintain a place of business in Minnesota and that regularly solicits sales to potential customers in this state is generally required to collect and remit tax on sales to Minnesota purchasers. (M.S. §297A.66, subdivision 3)

The current law is largely unenforceable because, according to the U.S. Supreme Court, only Congress can enact legislation obligating out-of-state vendors lacking traditional nexus with a state (by having a physical presence or employees or agents) to collect and remit that state's sales or use tax. Some out-of-state vendors have agreed voluntarily to collect and remit tax on their Minnesota sales. Minnesota purchasers are expected to pay use tax when they make taxable purchases on which Minnesota sales tax was not collected.

Proposed Law: The bill is a resolution by the Minnesota Legislature that Congress speedily enact legislation requiring Internet and other remote sellers to collect and remit state and local sales taxes.

REVENUE ANALYSIS DETAIL

- If federal legislation were enacted, Minnesota would realize additional revenue. The estimates cited in the resolution are from a study prepared in 2002 for the Department of Revenue by American Economics Group, Inc.; they are the estimates used by the Department of Revenue for the tax not paid on Internet and catalog sales.

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