MINNESOTA·REVENUE

March 29, 2007   **Accelerated June Payments**

Revised Analysis		Yes	No
DOR Administrative Costs/Savings		X	

Department of Revenue
Analysis of H.F. 716 (Erhardt), Analysis Revised for February 2007 Forecast

	Fund Impact			
	F.Y. 2008	**F.Y. 2009**	**F.Y. 2010**	**F.Y. 2011**
	(000's)			
General Sales Tax	($77,200)	($3,400)	($2,500)	($3,000)
Cigarette and Tobacco Products Taxes and Fees	($9,800)	$70	$65	$60
Alcoholic Beverage Taxes	($2,100)	($45)	($45)	($50)
Total – All Funds*	($89,100)	($3,375)	($2,480)	($2,990)

*A portion of the of cigarette and tobacco products taxes and fees is allocated to the Health Impact Fund.

Effective beginning in June 2008

EXPLANATION OF THE BILL

Current Law: Businesses that remit the general sales tax, the cigarette and tobacco products taxes and fees, and the alcoholic beverage taxes, and that have an annual tax liability of $120,000 or more, must remit at least 85% of their June liability in June. Starting in June 2007, 78% of the liability must be paid in June. Normally, tax liabilities are remitted in the month following the month of sale.

Proposed Law: The bill lowers the portion of the June liability required to be paid in June from 78% to 50%.

REVENUE ANALYSIS DETAIL

- The estimate was based on accelerated payments received in June 2006
- The June 2006 remittances at 85% were converted to 78% to accord with current law.
- The adjusted 2006 figures were increased annually by the growth of the affected taxes according to the February 2007 revenue forecast.
- The revenue impact is the estimated difference between projected current-law receipts at 78% and receipts at 50%. The fiscal tails for cigarettes and tobacco products are positive because sales of packs of cigarettes are expected to decline in future years.

Number of Taxpayers: Approximately 7,400 businesses

Source: Minnesota Department of Revenue
Tax Research Division