

# MINNESOTA • REVENUE

## SALES AND USE TAX EXCISE TAXES AND FEES Accelerated June Payment Repeal Monthly Payment Changes

January 29, 2013

Department of Revenue  
Analysis of S.F. 75 (Skoe)

	Yes	No
DOR Administrative Costs/Savings	X	

	<b>Fund Impact</b>				
	<b><u>F.Y. 2013</u></b>	<b><u>F.Y. 2014</u></b>	<b><u>F.Y. 2015</u></b>	<b><u>F.Y. 2016</u></b>	<b><u>F.Y. 2017</u></b>
	(000s)				
Sales and Use Tax	(\$256,800)	(\$7,400)	(\$9,200)	(\$7,800)	(\$7,300)
Cigarette Excise Tax	(\$6,400)	(\$10)	\$100	\$100	\$100
Cigarette In-Lieu Sales Tax	(\$5,200)	(\$20)	(\$20)	(\$20)	(\$20)
Tobacco Products Excise Tax	(\$2,200)	(\$100)	(\$100)	(\$100)	(\$100)
Alcoholic Beverages Excise Taxes	<u>(\$6,300)</u>	<u>(\$120)</u>	<u>(\$120)</u>	<u>(\$120)</u>	<u>(\$220)</u>
General Fund Total	(\$276,900)	(\$7,650)	(\$9,340)	(\$7,940)	(\$7,540)
Cigarette Health Impact Fee	(\$10,600)	\$200	\$100	\$100	\$100
Tobacco Products Health Impact Fee	<u>(\$2,200)</u>	<u>(\$100)</u>	<u>(\$100)</u>	<u>(\$100)</u>	<u>(\$100)</u>
Health Impact Fund Total	(\$12,800)	\$100	\$0	\$0	\$0
Natural Resources and Arts Funds	(\$14,800)	(\$430)	(\$530)	(\$450)	(\$420)
<b>Total - All Funds</b>	(\$304,500)	(\$7,980)	(\$9,870)	(\$8,390)	(\$7,960)

Effective beginning with June 2013 tax liabilities

### EXPLANATION OF THE BILL

**Current Law:** Taxpayers liable for the general sales and use tax, the cigarette excise taxes and fees, the tobacco products tax and fee, and the alcoholic beverages taxes, and that have a liability of \$120,000 or more during a fiscal year ending June 30, must pay 90% of the estimated June liability two business days before June 30. Several safe harbor provisions apply. Any additional tax not remitted in June is due by the following August 20 for the sales tax and August 18 for the other taxes.

Also, sales and use tax filers having an annual liability of \$120,000 or more must remit their monthly liabilities in one of two ways: (1) On or before the 14th day of the month following the month in which the taxable sales were made, the vendor must remit 90% of the estimated liability for the month in which the taxable sales were made; or (2) on or before the 20th day of the month in which the taxable sales are made, the vendor must remit a prepayment for the month in which the taxable sales were made equal to 67% of the liability for the previous month.

### **EXPLANATION OF THE BILL (Cont.)**

Current law provides that once the cash flow and budget reserve reach their statutory amounts, the monthly sales tax payment due dates described above are suspended, and the monthly payment due date reverts to the 20<sup>th</sup> of the month following the month in which taxable sales were made. This requirement has been met, and the accelerated monthly payments ceased to be mandatory effective July 1, 2012.

**Proposed Law:** The bill would repeal the requirement to make accelerated June payments and, for sales tax, would repeal the remittance speed-up requirement for months other than June.

### **REVENUE ANALYSIS DETAIL**

- Only the accelerated June payment repeal has a fiscal year revenue impact.
- The estimates are based on accelerated payments received in June 2012.
- The June 2012 amounts were increased annually by the growth of each of the affected taxes according to the November 2012 state revenue forecast.
- The June accelerated repeal creates a shift in revenue collections. The main impact occurs in the initial fiscal year as the accelerated payments normally received in the last month of that year (June) are shifted into the following fiscal year. The impact of the shift in subsequent years is 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.
- The positive revenue impact tails for the cigarette excise tax and health impact fee result from a projected decline in sales of packs of cigarettes.

**Number of Taxpayers:** Approximately 4,600

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.revenue.state.mn.us/research\\_stats/Pages/  
Revenue-Analyses.aspx](http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx)