SALES AND USE TAX
Filing Requirement Changes;
Vendor Allowance; Address Table

February 4, 2013

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 67 (Dettmer)

	Fund Impact			
	F.Y. 2014	**F.Y. 2015**	**F.Y. 2016**	**F.Y. 2017**
	(000's)			
Vendor Allowance	($24,000)	($26,600)	($27,000)	($27,400)
Quarterly Filing Change	($11,000)	($400)	($300)	($300)
General Fund Total	($35,000)	($27,000)	($27,300)	($27,700)
Vendor Allowance	($1,380)	($1,540)	($1,560)	($1,580)
Quarterly Filing Change	($630)	($20)	($20)	($20)
Natural Resources and Arts Funds Total	($2,010)	($1,560)	($1,580)	($1,600)
Total – All Funds	($37,010)	($28,560)	($28,880)	($29,300)

Effective for sales and purchases made after June 30, 2013

EXPLANATION OF THE BILL

Current Law: If a retailer has an average sales and use tax liability, including local sales taxes, equal to or less than $500 per month in any quarter of a calendar year, the retailer may request authorization to file and pay the taxes quarterly in subsequent calendar quarters. The authorization remains in effect during the period in which the retailer's quarterly returns reflect sales and use tax liabilities of less than $1,500 and there is continued compliance with state tax laws. The due dates for making quarterly payments are the 20th of the month following the end calendar quarter, i.e., April 20, July 20, October 20, and January 20 of the following year.

In conformity with the Streamlined Sales and Use Tax Agreement (SSUTA), the Department of Revenue currently maintains a sales tax rate calculator that includes a geo-coded lookup table where a user can enter a nine-digit zip code and find the cumulative sales and use tax rate in effect in the zone, with each rate shown separately. If a user does not know the nine-digit zip code, a prominent link to the U.S. Postal Service Zip Code lookup tool is provided. This tool allows users to enter a street address and five-digit zip code and receive the full nine-digit code, which can then be entered into the rate calculator. The cost of maintaining this database is deducted from the local sales taxes the department administers.

Minnesota law does not provide a vendor credit or allowance for collecting and remitting sales taxes.

EXPLANATION OF THE BILL (Cont.)

Proposed Law: The bill would raise the threshold for filing and paying quarterly from the current $500 to $1,000 per month. The authorization would remain in effect during the period in which the retailer's average returns for the preceding four quarters reflect sales and use tax liabilities of less than $3,000 and there is continued compliance with state tax laws.

The bill also creates a vendor allowance for parties that make taxable sales. The allowance is equal to 3% of eligible taxes collected in the reporting period (monthly, quarterly, or annual), up to a maximum of $90 per reporting period. The allowance per reporting period may not be less than the lesser of $10 or the amount of eligible taxes collected in the reporting period. The allowance would be available as long as the vendor files and pays in a timely fashion under current law.

Finally, the bill changes the current sales tax rate finder to a free, electronically accessible statewide address and five-digit zip code table for local sales tax collection that meets the requirements of the SSUTA. The address lookup table must be accessible by January 1, 2015. The Department of Revenue may contract with an outside vendor to provide the required information, provided that a link to the site is prominently displayed on the department web site. The cost of developing the new lookup table would be deducted from local sales and use tax proceeds.

REVENUE ANALYSIS DETAIL

- The estimate of the vendor allowance was based on sales tax liabilities from 2011 filing data. The liabilities were broken out into four categories: taxpayers that would qualify for the under-$10 allowance (their actual liability), for the $10 minimum allowance, for the 3% allowance up to $90, and for the maximum $90 allowance. The total of each category was summed giving a base-year estimate of approximately $26 million. Because the allowance cannot exceed $90, annual growth was estimated at one-half of the historic and projected growth of the sales and use tax revenue according to the November 2012 state revenue forecast.
- The estimate for fiscal year 2014 was adjusted for 11 months of impact in the first year.
- The estimate of raising the threshold amounts for quarterly filing and paying was also based on 2011data.
- The bill's raising of the filing threshold would have the effect of allowing low-dollar monthly filers to switch to quarterly filing. The revenue impact is to have monthly payments now received in May and June of one fiscal year shift to July of the following fiscal year.
- Annual growth of the proposed filing change was based on sales and use tax revenue growth from the November 2012 forecast.
- The revenue impact is greatest in FY 2014 because the May and June payments are permanently "lost" in that first year.

REVENUE ANALYSIS DETAIL (Cont.)

- The impact on the other years is measured as the difference between the May and June payments required under current law and their permanent shift into the following year.

Number of Taxpayers: Approximately 160,000 current sales tax filers are likely to be affected by this bill.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx

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