SALES AND USE TAX
Multiple Points of Use

April 1, 2013

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 1433 (Rest) / H.F. 1661 (Davids)

	Fund Impact			
	F.Y. 2014	**F.Y. 2015**	**F.Y. 2016**	**F.Y. 2017**
	(000's)			
General Fund	($640)	($730)	($760)	($800)
Natural Resources and Arts Funds	($40)	($40)	($40)	($50)
Total – All Funds	($680)	($770)	($800)	($850)

Effective for sales and purchases made after June 30, 2013

EXPLANATION OF THE BILL

Current Law: Minnesota is a member of the Streamlined Sales and Use Tax Agreement (SSUTA). Effective January 1, 2002, Minnesota amended the sales tax statute to include the Streamlined provisions governing the sourcing of a sale. A multiple-points-of-use protocol for digital goods was part of the 2002 law change. The multiple-points-of-use language was repealed in 2008 because it was withdrawn by the SSUTA governing board, and digital goods became sourced according to the general Streamlined rules in place. The SSUTA has not adopted a new rule on multiple-points-of-use sourcing.

Proposed Law: The bill would enact a multiple-points-of-use sourcing provision that is similar but not identical with the previous Streamlined definition. The provision would apply to business purchasers that buy electronically delivered goods or services that will be concurrently available for use in more than one taxing jurisdiction. The purchaser may give the seller a multiple-points-of-use certificate, which would relieve the seller of sales tax liability. The purchaser would be obligated to collect, pay, or remit the applicable tax on a direct-pay basis to the other taxing states or jurisdictions.

Note: Enactment of this bill could put Minnesota out of conformity with the SSUTA.

REVENUE ANALYSIS DETAIL

- It was assumed that the proposal affects primarily canned or prewritten software, which is taxable in Minnesota. It was further assumed that the multiple points option would be used only in cases that result in a lower Minnesota tax liability than is available under current law.
- The estimate was based on data from the 2007 Economic Census, national sales of prewritten software by the software publishing industry. National sales were apportioned to Minnesota at 1.8%.

REVENUE ANALYSIS DETAIL (Cont.)

- The business portion of Minnesota software consumption was estimated at 40.9% of the total. (Business share of the state general sales and use tax from 2013 Tax Incidence Study.)
- The portion of business software that is delivered electronically was estimated at 25%.
- It was assumed that 15% of the affected software used in Minnesota is made available for concurrent use in other jurisdictions, and that of this amount 30% would be sourced outside Minnesota.
- The estimates derived from base year 2007 data were increased annually by 2.5% over the gross domestic product price deflator published in February 2013 by IHS Global Insights, Inc.
- The impact for fiscal year 2014 was adjusted for a July 1, 2013, effective date.

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