DEPARTMENT OF REVENUE

SALES AND USE TAX
Vendor Allowance

March 18, 2019

	Yes	No
DOR Administrative Costs/Savings	x	

Department of Revenue
Analysis of S.F. 2055 (Chamberlain) / H.F. 2091 (Davids)

	Fund Impact			
	F.Y. 2020	**F.Y. 2021**	**F.Y. 2022**	**F.Y. 2023**
	(000's)			
General Fund	($9,700)	($11,100)	($11,500)	($11,800)
Natural Resources and Arts Funds	$600)	($600)	($700)	($700)
Total – All Funds	($10,300)	($11,700)	($12,200)	($12,500)

Effective for sales taxes collected after June 30, 2019.

EXPLANATION OF THE BILL

Current Law: There is no general provision for a vendor allowance for sales tax filers.

Proposed Law: The bill creates a vendor allowance for retailers that make taxable sales. The amount of the vendor allowance is equal to the sum of one-quarter of one percent of the tax remitted in the reporting period. The maximum allowance is $250. Eligible taxes include state taxes and exclude use taxes paid by the seller on purchases by the seller and local sales and use taxes collected by the retailer. The vendor allowance applies only if the tax minus the allowance is filed and paid on time. The allowance must not reduce the tax owed in the reporting period to less than zero.

REVENUE ANALYSIS DETAIL

- The estimates are based on filing information from the two most recent years of sales tax returns.
- Annual sales tax growth rates from the February 2019 state revenue forecast are applied.
- The fiscal year 2020 estimates are adjusted for eleven months of impact.

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

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