

February 15, 2021

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 100 (Chamberlain) / H.F. 282 (Davids)

	Fund Impact			
	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>
	(000's)			
General Fund	(\$10,100)	(\$11,500)	(\$11,900)	(\$12,400)
Natural Resources and Arts Funds	<u>(\$600)</u>	<u>(\$700)</u>	<u>(\$700)</u>	<u>(\$700)</u>
Total – All Funds	(\$10,700)	(\$12,200)	(\$12,600)	(\$13,100)

Effective for sales taxes collected after June 30, 2021.

EXPLANATION OF THE BILL

Current Law: Minnesota law does not provide a vendor allowance to 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, up to \$250. The allowance must not reduce the tax owed in the reporting period to less than zero.

The vendor allowance applies only if the tax minus the allowance is filed and paid on time. Eligible taxes include state taxes and exclude use taxes paid by the seller and local sales and use taxes collected by the retailer.

REVENUE ANALYSIS DETAIL

- The estimate of the vendor allowance is based on recent sales tax liabilities.
- It is assumed that the vendor allowance would apply to each business location. There were approximately 138,000 business locations that would have qualified for the vendor allowance in calendar year 2019.
- Annual growth is estimated using historic and projected growth of the sales and use tax revenue from the November 2020 state revenue forecast.
- The fiscal year 2022 estimate is adjusted for eleven months of impact.

Minnesota Department of Revenue
Tax Research Division
<https://www.revenue.state.mn.us/revenue-analyses>