

March 15, 2021

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 427 (Wolgamott) / S.F 1597 (Nelson)

	Fund Impact			
	F.Y. 2022	F.Y. 2023	F.Y. 2024	F.Y. 2025
	(000's)			
General Fund	(\$12,100)	(\$500)	(\$500)	(\$500)
Natural Resources and Arts Funds	(\$700)	(negl.)	(negl.)	(negl.)
Total – All Funds	(\$12,800)	(\$500)	(\$500)	(\$500)

Effective for sales and purchases made after June 30, 2021.

EXPLANATION OF THE BILL

Current Law: Taxpayers that have a general sales and use tax liability of \$250,000 or more during a fiscal year are required to pay a portion of the estimated June liability two business days before June 30th for each year. The payment amount is 87.5 percent of the estimated June liability for calendar year 2021 and 84.5 percent for subsequent years. Any additional tax not remitted in June is due by the normal due date the following month.

Proposed Law: The bill excludes certain vendors of construction materials from the requirement to make the accelerated June payment. The excluded vendors are businesses in the following North American Industrial Classification System (NAICS) classifications:

- sawmills and wood preservation (NAICS 3211);
- veneer, plywood, and wood products manufacturing (NAICS 3212);
- millwork manufacturing (NAICS 32191);
- cement and concrete product manufacturing (NAICS 3273); and
- lumber and other construction materials merchant wholesalers (NAICS 4233).

REVENUE ANALYSIS DETAIL

- The excluded June payments create a shift in revenue collections. The primary impact occurs in the initial fiscal year as the accelerated payments normally received in the last month of that year (June) are shifted to the following fiscal year. The impacts for subsequent years reflect the annual growth in payments shifted by the proposal.
- The estimates are based on accelerated June payments paid in calendar year 2020.
- There were approximately 100 businesses that would have been excluded from making the accelerated June payment in calendar year 2020.

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