

April 11, 2021

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 1679 (Marquart) / S.F. 2194 (Dziedzic)

Certain businesses are required to remit their June tax payments on an accelerated basis. The legislation was enacted in 1981 and adjusted in ten later legislative sessions. The impact was an initial one-time shift of payments normally received in the first month of the following fiscal year (July) into the last month of the current fiscal year (June). Taxpayers that have a 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 is 87.5 percent of the estimated June liability for 2021 and 84.5 percent for subsequent years.

The bill reverses the fiscal year shift in state tax revenues by reducing the percentage of the June sales tax liability remitted on an accelerated basis by certain businesses until June accelerated payments are no longer required. The bill will reduce state general fund revenues in one or more years that a surplus is forecast, until the percentage of the June liability is reduced to zero.

The bill would be effective July 1, 2021.

- The bill would create changes to the Minnesota Management and Budget forecast.
- It is estimated that the forecast adjustments for a first-year full reversal of the June 2022 sales and use tax accelerated payments would be a \$263.4 million general fund shift and \$15.2 million to the natural resources and arts funds. Also, the changes would incur small ongoing reduced growth impacts.
- The bill does not include adjustments for June accelerated excise tax payments.
- Based on the current forecast, it is assumed that the November 2021 forecast could have a surplus and be affected by the bill.

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