

April 12, 2021

Preliminary Estimates

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 2366 (Rest) / H.F. 2500 (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	(\$7,000)	\$200	(\$100)	(\$200)

Effective for estimated taxes paid beginning in tax year 2021.

EXPLANATION OF THE BILL

The bill would allow a qualifying corporation to apply for an adjustment of estimated tax payments from the prior tax year to be refunded on an expedited timeline. A corporation must apply for the adjustment by the 15th day of the fourth month after the close of the tax year and before the return is filed.

The adjustment is the difference between the estimated payments made during the tax year and the estimated tax liability for that year. To qualify, the adjustment must be \$500 or greater and at least 10% of the estimated tax liability.

The adjustment is not considered a refund of tax paid and is subject to the Commissioner's determination of eligibility. The Commissioner must make this determination and, if appropriate, issue the refund within 45 days of the date the application was received.

The application must be made as prescribed by the Commissioner and include the following information: The estimated tax paid in the tax year, the estimated tax liability for the tax year, and the amount of the adjustment.

REVENUE ANALYSIS DETAIL

- There is no change in tax liability under the bill. The fiscal impact is due to a shift in the timing of payments.
- The estimate is based on the most recent data on returns where estimated payments were greater than tax liability. Refunds from these returns were adjusted to account for refunds less than \$500 that do not qualify for the expedited refund.
- In cases where estimated payments were greater than tax liability, only one-third of the difference between estimated payments and tax liability was claimed as refunds. The remainder was applied to the next tax year.
- It is assumed that 20% of these refunds would be claimed on an expedited timeline.
- It is assumed that 50% of these refunds would cross fiscal years.

REVENUE ANALYSIS DETAIL (Cont.)

- There would be a one-time cost in fiscal year 2022 as refunds would be paid earlier than under current law. After fiscal year 2022, the net effect the law change is the projected net change in corporate tax collections.
- The projected change in collections is based on the February 2021 forecast by MMB.

Minnesota Department of Revenue
Tax Research Division
[https://www.revenue.state.mn.us/
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sf2366(hf2500)_1 Refund of Overpayments / dkd js