

Alcohol and Tobacco Excise Tax
June Accelerated Repeal

	Yes	No
DOR Administrative Costs/Savings	X	

Revised Description
March 20, 2023

Department of Revenue
Analysis of S. F. 1062 (Westrom)/ H.F. 1955 (Franson)

	Fund Impact				
	<u>F.Y. 2023</u>	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>
			(000's)		
Cigarette Excise and Sales Taxes	(\$30,500)	\$700	\$700	\$700	\$300
Tobacco Products Excise Tax	(\$11,200)	(\$300)	(\$300)	(\$400)	(\$400)
Alcoholic Beverages Excise Taxes	<u>(\$9,500)</u>	<u>(\$200)</u>	<u>(\$200)</u>	<u>(\$200)</u>	<u>(\$200)</u>
Total - All Funds	(\$51,200)	\$200	\$200	\$100	(\$300)

Effective beginning with June 2023 liabilities.

EXPLANATION OF THE BILL

Current Law: 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 liable for the cigarette excise tax, tobacco products excise tax, or alcoholic beverage excise taxes, with a total tax liability of \$250,000 or more during a fiscal year ending June 30, must pay 84.5% of the estimated June liability two business days before June 30 for calendar year 2022 and subsequent years.

Proposed Law: The bill would remove the requirement to make a June accelerated payment for the various excise taxes.

REVENUE ANALYSIS DETAIL

- The estimates are based on June accelerated payments received in calendar year 2022.
- The June 2022 amounts were increased annually by the projected growth rates of the affected taxes from the February 2023 state revenue forecast.

- 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.
- Approximately 60 taxpayers remitting the various excise taxes would be affected.

Minnesota Department of Revenue
Tax Research Division
[https://www.revenue.state.mn.us/
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