Accelerated June Payments

MN HOUSE FISCAL ANALYSIS

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This issue brief describes the timing of how the June payment is remitted, the revenue impact of the shift, and the history of accelerated June payment requirement for sales tax and other taxes.

Tax Filing and the Accelerated June Payment Requirement

For state sales tax and excise taxes, the timing and schedule for when these taxes must be filed and paid by businesses depends on the tax liability of each business. [1] Businesses with a tax liability of more than $500 per month must collect and remit taxes to the Minnesota Department of Revenue on a monthly basis. Businesses filing and paying sales and excise taxes include vendors, distributors, and wholesalers.

Vendors, distributors, and wholesalers with an annual tax liability of $250,000 or more during the previous state fiscal year are required to remit a June accelerated payment. Affected monthly filers must remit actual May tax liability plus an accelerated payment of a portion of June tax collections at least two business days before June 30. The amount of the required accelerated payment is based on a percentage rate of the sales tax liability owed for the month of June. The remaining amount of June tax liability must be paid in late August.

The required June accelerated payment rate started at a rate of 50 percent with 1982 June liabilities, and the rate has increased to as high as 87.5 percent for June 2020 liabilities.

The Fiscal Impact of the Accelerated June Payment on the State Budget

Sales and use taxes and excise taxes are commonly filed and paid on the 18th or the 20th day following the month in which the sale was made. If the tax liability exceeds a certain threshold and an accelerated June payment is required, a taxpayer must pay an accelerated percentage of their June tax liability about 30 days earlier than they would without the requirement. This has a state budgetary impact of increasing revenue for the state treasury in a selected fiscal year, as payments that would normally be paid in the first month of the following fiscal year (July) are instead paid in the last month of the current fiscal year (June).

[1] Excise taxes referenced in this document include cigarette, tobacco products, and alcoholic beverage taxes from wholesalers, distributors, manufacturers, or out-of-state retailers.

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Essentially, the accelerated June payment has been used by the legislature as a “fiscal shift,” in which the revenue gain is used to offset spending or reduce a shortfall in the state budget by shifting a payment forward to a specific fiscal year. The June acceleration payment requirement affects the sales tax base.[2] Any changes to the June acceleration requirement have a fiscal impact on both the general fund and non-general fund accounts. Non-general fund accounts include the legacy funds, transportation accounts, and local sales taxes.

State revenue is increased or reduced when there is a difference between the accelerated amount forecast to be remitted in June with the old rates and the amount forecast to be remitted in June with the new rates. A revenue gain to the state occurs if the proposed new accelerated percentage rate for the June payment is increased relative to the old percentage rate. In addition, if the accelerated payment requirement continues, the state will continue to gain revenue from sales tax receipts in subsequent fiscal years, but the amount gained will be smaller after the first year. The Legislature enacted a rate change in the 2019 session, for example, that affected June 2020 and 2021 liabilities. It increased the accelerated payment shift rate from 81.4 percent to 87.5 percent. This shift was estimated to raise an additional $20.1 million in revenue for the general fund in fiscal year 2020 (first year of fiscal impact) and $690,000 in fiscal year 2021 (second year of fiscal impact) with fiscal impact to non-general fund accounts also following the same pattern of revenue gain.

On the other hand, state revenue decreases after the first year if the accelerated payment requirement is a onetime law change. The revenue loss in the second year would be roughly equivalent to the revenue gain to the state in the first year. The fiscal impact over two years would have an almost revenue neutral fiscal impact.

History of Accelerated June Payment Requirements

In 1981, three special sessions were needed to balance the budget, fix cash flow, and address revenue shortfall issues. The accelerated June payment requirement is one of the few state revenue shifts that remain.[3] The accelerated June payment shift, first effective with 1982 tax liabilities for sales taxes, was estimated to result in a $31 million gain to the general fund.[4,5] The accelerated June payment rate percentage has been increased in seven subsequent omnibus tax bills to raise revenue or offset a budget shortfall.

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[2] Liquor gross receipts tax, solid waste management tax, and motor vehicle rental tax and fees are remitted on a sales tax return and are subject to the accelerated June payment requirement.

[3] In June 2009, Governor Pawlenty’s administrative actions for executive unallotment for FY 2011 only included two fiscal shifts. These shifts were: (1) Delay Capital Equipment Refunds and (2) Delay Corporate Franchise Tax Refunds. These are no longer in effect. For more information, see: An Overview of Governor Pawlenty's FY2010-11 Unallotments. Finally, there are accounting shifts for education. For more information, see: Money Matters 13.1, State Education Accounting Shifts.

[4] Third Special Session Laws 1981, chapter 2, article 5, section 3.

[5] Senate Fiscal Review, 1981 to 1984, Sales tax, page 37.

In addition to percentage rate increases as a method to raise revenue, the accelerated June payment requirement has been expanded to affect more tax filers. In 1986, the legislature added this requirement for filers remitting cigarette, tobacco, and alcoholic beverage taxes, starting with 1987 June liabilities. In 2003, the accelerated June payment shift requirement was added to the remittance requirements for mortgage and deed taxes starting with June 2004 tax liabilities. In addition, financial underpayment penalties were enacted to ensure compliance with this requirement.

The type of filer targeted to remit this payment has also evolved since the requirement was first enacted. The tax liability threshold in a fiscal year for remitting this payment has increased from $1,500 in 1982 to $120,000 in 1994. In 2014, the tax liability threshold was increased again to $250,000 to target vendors, distributors, and wholesalers with a higher volume of sales in a fiscal year.[6]

Conversely, the legislature has also tried to "buy back" or reverse the shift. The accelerated June payment percentage rate has been reduced four times since enactment. In 2001, the legislature enacted a repeal of the requirement, effective 2004, but that repeal was eliminated by the 2003 Legislature.

In 2021, rather than enact a law to directly eliminate the shift, the legislature modified an existing law that authorized the allocation of funds to five priorities if an unrestricted positive general fund balance (surplus) was projected at the close of a biennium based on the November forecast. The legislature added a sixth priority requiring the reduction or elimination of the accelerated June payment requirement for sales tax. The November 2021 forecast later projected a surplus for the FY 2022-23 biennium and the accelerated shift payment for sales tax was eliminated in June 2021 and the sixth priority was satisfied.[7] Cigarette tax, tobacco tax, alcoholic beverage tax, and mortgage and deed taxes , however, are still subject to the accelerated June payment requirement.

In the 2025 session, to raise an estimated $22.82 million in FY 2027 revenue to the general fund, the legislature enacted a new accelerated June payment requirement for sales tax at a 5.6 percent rate.[8] Liquor gross receipts, cannabis gross receipts tax, and the retail delivery fee, which are also remitted on the sales tax return, are not subject to this shift payment requirement for June 2027 liabilities.[9]

A historical summary of June acceleration legislative changes is reflected in Chart 1.

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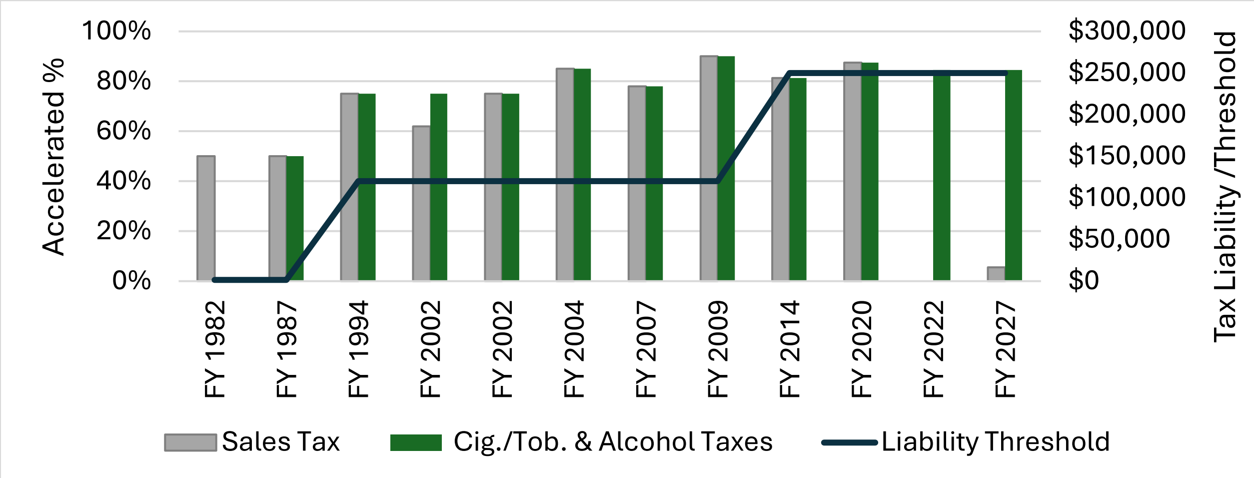
[6] The $250,000 tax liability threshold requirement affects businesses that remit around $20,000 in sales tax monthly with about $300,000 in total monthly sales and about $3.6 million in annual sales in a fiscal year.

[7] Enacted in the 2021 omnibus tax bill, first special session, chapter 14, article 4, sections 1-3. MMB's November Economic Forecast estimated this provision to have a revenue loss of $359 million to the general fund, page 56.

[8] Non-general fund tax revenue is also estimated to increase in most of the non-general fund accounts with the 5.6 percent affected by the new shift requirement in FY 2027.

[9] If liquor gross receipts, cannabis tax, and the retail delivery fee were added to the June acceleration requirement, the total revenue gain from the shift would increase by less than one percent.

Chart 1. History of Changes to the Accelerated June Payments Requirement, 1981 to 2025 Legislative Sessions



How many filers are affected by June Acceleration?

In FY 2025, sales tax filers are not affected by the June acceleration requirement but prior to 2022 when the requirement was in law for this tax type, about two percent of sales tax filers were impacted by this requirement. Table 1 shows the estimated count of the remaining tax filers affected by the June 2025 requirement. A higher percentage of excise tax filers are affected by this requirement. In June 2025, between three and 46 percent of cigarette, tobacco, and alcoholic beverage tax filers had to make an accelerated June payment.

Table 1. Total Monthly Filers (Businesses and Counties) with an Accelerated June Payment in 2025 [10]

June Payments	Total Filers	Filers Required to Make an Accelerated Payment (count)	Filers Required to Make an Accelerated Payment (percent)
Sales Tax*	158,751	0	Not applicable
Beer Wholesalers	417	13	3.12%
Wine/Spirit Distributors	269	42	15.61%
Cigarette Distributors	48	22	45.83%
Tobacco Distributors	260	27	10.38%
Counties	87	87	100.00%

In calendar year 2023, there were 3,797 businesses with sales tax liability of $250,000 or about two percent of all sales tax filers would have been affected if this requirement was in place.

[10] Minnesota Department of Revenue, Tax Research Division, actual data from 2023 and 2025.

The Accelerated June Payment Requirement for Alcohol, Cigarette, and Tobacco Filers

If the tax liability threshold is met, alcohol, cigarette, and tobacco tax filers must remit a June accelerated payment. These filers must accelerate and remit 84.5 percent of their June liability. Table 2 shows the estimated total fiscal impact (cost) on all funds if the accelerated June payment requirement is repealed for cigarette, tobacco, and alcoholic beverage taxes. With repeal, the fiscal impact to the state budget is mostly a onetime cost in the first year after its enactment.

Table 2. The Estimated Revenue Impact to Repeal the Accelerated June Payment Shift on Cigarette, Tobacco and Alcohol Excise Tax Revenue for June 2027 Liabilities (dollars in thousands)

February 2025 Forecast	FY 2026	FY 2027	FY 2026-27	FY 2028	FY 2029	FY 2028-29
Cigarette Excise Tax & Sales Tax	0	(28,600)	(28,600)	1,000	900	1,900
Tobacco Products Excise Tax	0	(12,500)	(12,500)	(400)	(400)	(800)
Alcoholic Beverage Excise Taxes	0	(10,700)	(10,700)	(200)	(300)	(500)
General Fund Total*	0	(51,800)	(51,800)	400	200	600
Cigarette Excise Tax & Sales Tax	0	(1,600)	(28,600)	0	100	100
Tobacco Products Excise Tax	0	(700)	(12,500)	0	(100)	(100)
Alcoholic Beverage Excise Taxes	0	(600)	(10,700)	0	0	0
Non-General Fund Total*	0	(2,900)	(2,900)	0	0	0
All Funds Total	0	(54,700)	(54,700)	400	200	600

Positive numbers indicate revenue gain; negative numbers indicate revenue loss.

*Revenue gain from repeal excludes penalty fee revenue.

Appendix

Detailed History of Accelerated June Payment Requirements Legislation, 1981 to 2025 Legislative Sessions

Session	Accelerated June Payment Changes	Tax Liability Threshold	Year Liability Affected
1981	Established 50% for Sales Tax	>$1,500	1982
1986	Established 50% for Cigarette, Tobacco, & Alcoholic Beverage Taxes	>$1,500	1987
1993	Increased to 75% for Sales, Cigarette, Tobacco, & Alcoholic Beverage Taxes	>$120,000	1994
2000	Reduced to 62% for Sales Tax	>$120,000	2002
2001	Accelerated Payment Requirement Repealed for June 2004 Sales Tax Liabilities	>$120,000	2004
2002	Increased to 75% for Sales Tax	>$120,000	2002-03
2003	Increased to 85% for Sales, Cigarette, Tobacco, & Alcoholic Beverage Taxes. Eliminated Repeal of Accelerated Payment Liabilities for June 2004 Sale Tax Liabilities	>$120,000	2004
	Requirement Expanded to Include Mortgage & Deed Tax Liabilities	Not applicable	2004
2006	Reduced to 78% for Sales, Cigarette, Tobacco, & Alcoholic Beverage Taxes	>$120,000	2007
2008	Increased to 80% for Sales, Cigarette, Tobacco, & Alcohol Beverage Taxes	>$120,000	2009
2008	Increased to 90% for Sales, Cigarette, Tobacco, & Alcoholic Beverage Taxes	>$120,000	2009
2014	Reduced to 81.4% for Sales, Cigarette, Tobacco, & Alcoholic Beverage Taxes	>$250,000	2014
2019	Increased to 87.5% for Sales, Cigarette, Tobacco, & Alcoholic Beverage Taxes	>$250,000	2020
	Reduced to 84.5% for Sales, Cigarette, Tobacco, & Alcohol Beverage Taxes	>$250,000	2022
2021	Exempted Lumber, Millwork, & Concrete Vendors	>$250,000	2022
	Amended budget reserve law to allow a positive balance at the close of the biennium to reduce or eliminate sales tax liabilities. [11]	Not applicable	After 2021
2025	Created a New June Accelerated Payment Requirement at 5.6% (from zero) for June 2027 Sales Tax Liabilities.	>$250,000	2027

[11] The accelerated June payment requirement for sales tax was eliminated for June 2022 liabilities after the sixth priority was satisfied with the projected general fund balance in the November 2021 forecast.

References

Sources for Appendix Table 1: Omnibus Tax Acts with June Acceleration Payment Changes
1981, 3SS, Chapter 2, Article 5, Section 3
1986, 1SS, Chapter 1, Article 7, Sections 22,26
1993, Chapter 375, Article 1, Sections 4,12,15,22,29,30,31,32,36,38
2000, Chapter 490, Article 8, Sections 1,3
2001 1SS, Chapter 5, Article 12, Section 95
2002, Chapter 377, Article 3, Section 2
2003, Chapter 127, Article 6, Section 2
2003, 1SS, Chapter 21, Article 8, Sections 4,6, Article 9, Section 9
2006, Chapter 259, Article 13, Sections 3,7,8
2008, Chapter 154, Article 6
2008, Chapter 366, Article 8
2014, Chapter 308, Article 3, Sections 5,16,19
2019, 1SS, Chapter 6, Article 3, Sections 2,3,16,17
2021, 1SS, Chapter 14, Article 4, Sections 1,2,3, Article 15, Section 6
2025, 1SS, Chapter 13, Article 3, Sections 1-2