

March 30, 2023

Confidential

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 2887 (Hornstein) As Proposed to be Amended (H2887A1)

	Fund Impact			
	F.Y. 2024	F.Y. 2025	F.Y. 2026	F.Y. 2027
	(000's)			
Transportation Advancement Account	\$0	\$160,000	\$175,800	\$177,000
Special Revenue Fund	<u>\$0</u>	*	*	*
Total – All Funds	\$0	\$160,000	\$175,800	\$177,000

*An unknown amount will be deposited in the Revenue Department Service and Recovery Special Revenue Fund.

Effective July 1, 2024.

EXPLANATION OF THE BILL

The bill would establish a retail delivery fee imposed on retail deliveries in Minnesota. A retail delivery is defined as a retail sale by a retailer for delivery to a person located in Minnesota. The sale must contain at least one item of tangible personal property subject to sales tax, including clothing, for the fee to apply. The fee would be \$0.75 per retail delivery. The bill provides an exemption from the fee for retailers that made \$1 million in retail sales or less in the previous calendar year. A marketplace provider would also be exempt from the fee when facilitating the sale of a retailer that made \$100,000 of sales or fewer through the marketplace provider in the previous calendar year.

An amount necessary to collect, administer, and enforce the retail delivery fee would be deposited in the Revenue Department Service and Recovery Special Revenue Fund. The remaining revenues would be deposited in the Transportation Advancement Account.

REVENUE ANALYSIS DETAIL

- Data from the retail delivery fee in Colorado was used to inform the estimates.
- It is estimated that there will be 48 deliveries per person annually subject to the delivery fee.
- Minnesota’s population in 2021 was an estimated 5,711,471 according to the U.S. Census Bureau.

- Minnesota's population is assumed to grow at a rate of 0.7% annually based on projections from the Minnesota state demographer.
- The estimates are reduced to account for retailers that would be exempt from the fee.
- The fiscal year 2025 estimate is adjusted for eleven months of collections.

Minnesota Department of Revenue
Tax Research Division

[https://www.revenue.state.mn.us/
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