

**TAXES AND STATE AIDS
June Accelerated Payments Eliminated
and State Aid Payment Dates Modified**

March 2, 2022

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 3827 (Marquart) as introduced

Fund Impact

	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>
	(000's)			
State General Fund	\$0	(\$516,560)	(\$400)	(\$900)
State Conservation Fund	\$0	(\$340)	\$0	\$0
General Fund Total	\$0	(\$516,900)	(\$400)	(\$900)

June Accelerated Payments Eliminated

This portion of the proposal is effective July 1, 2022.

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, the tobacco products excise tax, or the 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.

The mortgage registry tax and the deed transfer tax are paid to the county treasurer. The state's portion of 97% of the revenue is dedicated to the State General Fund, while the remaining 3% of the revenue is retained by the county. For months other than June, each county must remit the state's portion to the state by the 20th day of the following month. For June, the county must remit the state's portion collected through June 25th and the estimated amount for the rest of June two business days before June 30th. Any additional tax not remitted in June is due by the following August 20th.

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

- The bill would create changes to the Minnesota Management and Budget forecast.
- It is estimated that the forecast adjustments for a full reversal of accelerated payments for the cigarette, tobacco products, and alcoholic beverage excise taxes would shift \$29 million, \$8.2 million, and \$7.8 million, respectively, in the general fund and shift \$1.7 million, \$500,000, and \$500,000, respectively, in the natural resources and arts funds. The changes would also incur small ongoing reduced growth impacts.

- About 60 taxpayers remitting the various excise taxes would be affected.
- It is estimated that the forecast adjustments for the full reversal of accelerated payments for the Mortgage registry and Deed transfer tax would shift \$25.1 million in general fund and shift \$1.4 million in the natural resources and arts funds.
- All eighty-seven Minnesota counties would be affected.

State Aid Payment Dates Modified

The bill would modify the state aid payment dates to local governments. Under current law, the payment of numerous state aids to local governments are made in two installments on July 20 and December 26. The proposal would change the payments to two installments on March 15 and December 26.

This portion of the proposal would be effective for payments in calendar year 2023 and after.

- The estimates are based on the February 2022 forecast.
- Changing the payment dates for aids and credits creates a shift in state expenditures. The main impact occurs in the initial fiscal year as a portion of the aids and credits paid at the beginning of the fiscal year (July and August) are shifted into the previous fiscal year. The impact of the shift in subsequent years is calculated as the difference between forecasted amounts to be paid under current law and the effect of shifting those amounts to the previous fiscal year.
- There are 17 state aid and credit payments that would be impacted by the date changes: Local Government Aid (LGA) to cities, County Program Aid (CPA), Township Aid, Disparity Reduction Aid (DRA), Disparity Reduction Credit (DRC) Payment in Lieu of Taxes (PILT), Agricultural Market Value Credit, Out of Home Placement Aid, Riparian Protection Aid, Aquatic Invasive Species Prevention Aid, Homeless Prevent Aid, Supplement Taconite Homestead Credit, Mahnommen Property Tax Reimbursement, Metropolitan Agricultural Preserves Credit, Performance Measurement Reimbursement, Taconite Aid Reimbursement, and Utility Valuation Transition Aid. For CY 2023, these aids and credits totaled approximately \$979 million.
- 11 of the 17 aids currently being paid in two installments in the same fiscal year would have the first installment shifted to the previous fiscal year. Under the proposal, the first installment payment on March 15 would shift 50% of the total payment into the previous fiscal year. In the first year, the payment amount shifted from FY 2024 to FY 2023 would be approximately \$463 million.
- Six of the aids are currently paid in full on the first or second installment date. Under the proposal five of these payments would shift 100% of the total payment into the previous year, and the Mahnommen Property Tax Reimbursement would shift 100% of the county and city payments to March 15 (while the school district payment would remain on July 20). In the first year, the payment amount shifted from FY 2024 to FY 2023 would be approximately \$54 million.

Source: Minnesota Department of Revenue
Tax Research / Property Tax Research
<https://www.revenue.state.mn.us/revenue-analyses>

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