

HF580 - 0 - Retail Delivery Fees

Chief Author: **Erin Koegel**
 Committee: **Transportation Finance**
 Date Completed: **1/30/2023 3:09:35 PM**
 Agency: **Revenue Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Restrict Misc. Special Revenue	-	268	169	-	-	-
Total	-	268	169	-	-	-
Biennial Total			437			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Restrict Misc. Special Revenue	-	1.55	1.01	-	-
Total	-	1.55	1.01	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

This fiscal note estimates the administrative impact of the proposed bill. Tax revenue impact is estimated on the corresponding Department of Revenue analysis of H.F. 580 (Koegel), available online at <https://www.revenue.state.mn.us/revenue-analyses>.

LBO Signature: Joel Enders **Date:** 1/30/2023 3:09:35 PM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
Restrict Misc. Special Revenue	-	268	169	-	-	-
Total	-	268	169	-	-	-
Biennial Total			437			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Restrict Misc. Special Revenue	-	268	169	-	-	-
Total	-	268	169	-	-	-
Biennial Total			437			-
2 - Revenues, Transfers In*						
Restrict Misc. Special Revenue	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

Effective January 1, 2024, this bill imposes an additional delivery fee on most deliveries of retail sales of tangible personal property within Minnesota.

Section 1- Defines relevant terminology.

Section 2- Requires retailers making retail deliveries to collect a retail delivery fee from the purchaser. The fee is as follows:

- \$0.40 for transactions made January 1, 2024 through June 30, 2025
- \$0.45 for transactions made July 1, 2025 through June 30, 2027
- \$0.50 for transactions made beginning July 1, 2027 and thereafter

Section 3- Exempts property that is exempt from sales tax under chapter 297A, except clothing, from the retail delivery fee. Also allows entities exempt from sales tax under 297A to be exempt from the fee on their purchases.

Section 4- Requires the fee to be reported and paid on a return prescribed by the commissioner of revenue. Chapters 270C and 289A apply to the audit, assessment, refund, penalty, interest, enforcement, collection remedies, appeal, and administration of the fee. The commissioner is also required to pay interest on overpayments refunded or credited to the retailer.

Section 5- Allows the commissioner to retain the amount associated with the cost of administering the delivery fee. After administrative expenses are deducted, fee revenue will be deposited in the following manner: 60% to the highway user tax distribution fund, 36% to the metropolitan area transit account under section 16A.88, and 4% to the greater Minnesota transit account under section 16A.88.

Section 6- Adds conforming language to M.S. 270C.15, specifying that monies retained to administer the retail delivery fee are deposited in the Revenue Department Service and Recovery Special Revenue Fund.

Section 7- Modifies the definition of sales price to specifically exclude the fee from being charged sales tax on the fee itself.

Assumptions

The Department of Revenue (DOR) assumes this fee will be administered similarly to sales taxes under chapter 297A.

The fee will be added to the sales and use tax return.

DOR will need to update the Integrated Tax System (GenTax) and other computer systems, which includes analysis, gathering requirements, and system testing. MN.IT assumes systems costs of \$18,500 in FY 24 to make these updates.

The Sales and Use Tax Division at DOR assumes they will need 0.5 FTE in FY24 and 0.5 FTE in FY25 to handle increases phone and email inquiries, 0.01 FTE in FY24 to create, update, and post updated fact sheets, internal procedures, and website information, and 0.01 FTE in FY24 for a Local Government Services and Streamlined Sales Tax liaison to prepare the Simplified Electronic Return (SER) to handle the fee. 0.50 FTE in FY24 will also be needed to develop and implement internal and external training.

The Appeals, Legal Services, and Disclosure (ALSD) Division at DOR will need an attorney to give legal advice and to review documents drafted by the Sales and Use Tax Division. ALSD assumes they will need 0.5 FTE in FY24 and 0.5 FTE in FY25 for this work.

The Communications Division at DOR will need staff to update forms and instructions, update the website, create outreach materials, develop social media bulletins, and prepare two press releases to notify and remind the public about the changes in this bill. They assume 0.02 FTE in FY24 and 0.01 FTE in FY25 to complete this work as well as \$500 in FY24 and \$500 in communication costs in FY25 for the two press releases.

The Financial Management Division at DOR will distribute the funds as noted in section 5 of the bill. The administrative impact is minimal.

FTE Impact

FTE's	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Communications (MAPE)		0.02	0.01		
Legal staff (Attorney)		0.5	0.5		
Sales and Use staff (MAPE)		1.02	0.5		
Total FTE Impact		1.55	1.01		

Note: Totals may vary slightly due to rounding.

Expenditure and/or Revenue Formula

This bill will have an impact on state revenues, however the estimated revenues from the fee are not included in this note.

Administrative Impact

Administrative Costs (Savings)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Employees		248,753	168,105		
Communications		500	500		
Systems Analysis & Testing		714			
Systems Development		18,500			
Total Administrative Costs (Savings)		268,467	168,605		

Note: This chart uses whole numbers. Totals may vary slightly due to rounding.

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

N/A

References/Sources

Agency staff provided information for this fiscal note.

If information technology costs are included, my agency's Chief Business Technology Officer has reviewed the estimate.

I have reviewed the content of this fiscal note and believe it is a reasonable estimate of the expenditures and revenues associated with this proposed legislation.

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