

HOUSE RESEARCH

Bill Summary

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Authors: Rest and others
Subject: Sales tax rate reduction and elimination of June accelerated payments
Analyst: Pat Dalton, 651-296-7434

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Overview

Section 3 of this bill reduces the general sales tax rate from 6.5 percent to 6.0 percent.

Sections 1 to 2, and 4 to 6 repeal the existing accelerated June tax payments for sales and use, tobacco and liquor taxes. Under current law, persons with tax remittances in any of these taxes of \$120,000 or more per year must make an early payment of their June tax liability. The affected vendor, distributor, or wholesaler must remit at least 75 percent of their estimated June tax liability by two business days before June 30. The remainder of their June liability is due in August, along with their July liability. Over time the number of persons required to remit accelerated tax payments have declined because the liability threshold for making the accelerated payments have increased.

The June accelerated payments of sales and use tax were originally enacted in 1981 and the June accelerated payments of tobacco and liquor taxes were enacted in 1986. Both were in response to a state fiscal crisis and allowed the state to shift revenues from one fiscal year into another. Repeal of the June accelerated tax payments has a one-time cost to the state as the revenues from these payments are shifted to the next fiscal year.

- 1 Sales and Use tax returns.** Eliminates the delayed date for filing the sales and use tax report for the month of June for electronic filers. This is the same group of filers that must make accelerated June payments. Currently the June report is filed with the July return on August 25th. All reports would now be due on the 25th of the following month.
- 2 Sales and use tax.** Eliminates the June accelerated sales and use tax remittance for vendors with a sales and use tax liability of \$120,000 or more during the fiscal year. Currently these vendors must remit 75 percent of their estimated June collections by two business days before June 30th with the remainder submitted by August 14th.
- 3 Sales and use tax; general rate.** Reduces the general sales and use tax rate from 6.5 percent to 6.0 percent. this rate reduction would also apply to the motor vehicle sales tax.

- 4 Monthly return; cigarette distributor.** Eliminates the June accelerated cigarette tax remittance for certain distributors. Currently these vendors must remit 75 percent of their estimated June payment with the payment for their May liability two business days before June 30th with the remainder due by August 18th.
- 5 Monthly return; tobacco products distributor.** Eliminates the June accelerated tobacco tax remittance for certain distributors. Currently these vendors must remit 75 percent of their estimated June payment with the payment for their May liability two business days before June 30th with the remainder due by August 18th.
- 6 Repealer.** Repeals various provisions related to the June accelerated tax payments for sales, tobacco and liquor taxes.
 - Section 289A.60, subdivision 15 contains a penalty for underpayment or nonpayment of the June accelerated sales and use tax payment if the vendor is required to make the accelerated payment.
 - Section 297F.09, subdivision 6 defines the cigarette and tobacco product distributors that are required to make June accelerated payments. Distributors with annual cigarette and tobacco taxes of \$120,000 or more per year must make the June accelerated payment under current law.
 - Section 297G.09, subdivision 5 requires certain liquor manufacturers and wholesalers to make June accelerated payments of liquor taxes equal to 75 percent of the estimated June amount. This requirement applies to a manufacturer or distributor with a liquor tax liability of \$120,000 or more per year. Requires the remainder of the June liability be remitted by August 18th and imposes a penalty for nonpayment or underpayment of the June accelerated amount.
- 7 Effective date.** The repeal of the June accelerated payments are effective beginning with the June 2000 return. The sales tax rate reduction is effective beginning with sales made after June 30, 1999.