

HOUSE RESEARCH

Bill Summary

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Version: As introduced

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Subject: Provides technical (non-fiscal) conforming language for complying with the Streamlined Sales and Use Tax Agreement (SSUTA)

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Overview

In the annual SSUTA compliance review of the Minnesota sales tax laws, the Compliance Review Board found the state out of compliance with the agreement in the following three areas:

- Need to codify transitional language regarding rate changes on taxable services;
- Need to provide separate definitions of advertising and promotional direct mail and other direct mail to clarify that they are treated the same for sourcing purposes, but differently for taxing purposes; and
- Need to remove "ring tones" from the definition of taxable telecommunication services.

This bill addresses the first two issues only and has no state revenue impact. The changes reflect current administrative practice.

- 1 Transitional period for services.** States that a sales tax rate increase is effective beginning with the first billing period for taxable services starting after the date of the rate change. For a rate decrease, the new rate will apply to bills mailed on or after the date of the rate change. This is current administrative practice.
- 2 Transitional services for services.** Adds the same language in section 1 to the complementary use tax provisions.
- 3 Advertising and promotional material.** Defines advertising and promotional direct mail and continues to apply the current sourcing rules.
- 4 Other direct mail.** Defines "other direct mail" and applies the same sourcing provisions that apply to advertising and promotional direct mail.