

HOUSE RESEARCH

Bill Summary

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Subject: Sales tax vendor allowance

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Overview

Provides a vendor allowance for sellers collecting and remitting the sales tax in a timely fashion. The allowance, which is a percentage of tax collected, varies by amount of tax collected annually by the seller and applies to both the state and local sales taxes, but not to use taxes owed by a seller on their own purchases.

Section

- 1 Sales and use tax.** Defines the net liability for sales tax that must be remitted by a seller to be the gross collections minus the vendor allowance calculated in section 3. Effective for sales and purchases made after June 30, 2015.
- 2 Tax must be remitted.** Allows the vendor to retain sales tax equal to the vendor allowance calculated in section 3. Effective for sales and purchases made after June 30, 2015.
- 3 Vendor allowance.** Provides for a vendor allowance that may be retained by sellers collecting and remitting sales tax.

Subd. 1. Eligibility. States that a seller must be reporting and remitting sales taxes in order to keep the vendor allowance allowed in this section.

Subd. 2. Tax not eligible for allowance. Provides that the allowance does not apply to use taxes owed by a seller on their own purchases but does apply to other sales and use taxes collected by the seller (i.e. local sales taxes).

Subd. 3. Calculation of allowance, minimum amounts. The amount of vendor allowance that a seller may retain of taxes remitted in each reporting period is equal to the greater of \$10/period or the following percentage of tax collected:

Section

- 2% of tax for a vendor with less than \$60,000 in sales per year;
- 1 % for vendors with sales between \$60,000 and \$600,000 per year; and
- 0.75% for vendors with sales greater than \$600,000 per year.

Effective for sales and purchases made after June 30, 2015.