

HOUSE RESEARCH

Bill Summary

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Subject: Sales tax filing requirements and vendor allowances

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Overview

The bill makes the following three changes in sales tax administration:

- Increases the filing threshold to allow businesses that average \$1,000 or less in monthly state and local sales and use tax collections (about \$175,000 per year in taxable sales) to file and pay sales taxes quarterly.
- Provides a vendor allowance for all retailers collecting and remitting sales tax.
- Requires the Department of Revenue to construct an electronically accessible address plus five-digit zip code lookup table for sales taxes in the state.

Section

1 Sales and use tax returns. Allows retailers with average sales and use tax liabilities of no more than \$1,000 per month to apply to the commissioner to file and pay taxes quarterly. Currently, this option is limited to retailers with monthly sales tax revenues of no more than \$500. The authorization would remain in effect as long as the retailer's last four quarterly returns do not average more than \$3,000 per quarter. Under current law, the authority disappears if a retailer has one quarterly return exceeding the allowed threshold. Currently, anyone with a monthly liability of more than \$500 per month (taxable sales of \$7,273 per month) is required to file and remit monthly.

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

Section

- 2** **Sales and use tax.** Changes references from “liability” to “net liability.” Defines “net liability” to be the sales and use taxes owed minus the amount of the vendor allowance allowed under section 4.
- Effective for sales and purchases made after June 30, 2015.
- 3** **Tax must be remitted.** Allows a retailer to retain the vendor allowance authorized in section 4.
- Effective for sales and purchases made after June 30, 2015.
- 4** **Vendor allowance.** Allows vendors to retain a portion of the tax collected as compensation for collecting the tax.
- Subd. 1. Eligibility.** Vendors who report and remit sales tax collections in a timely fashion are eligible for the allowance.
- Subd. 2. Tax not eligible for allowance.** The use tax paid on a seller’s own purchases are not included in calculating the vendor allowance.
- Subd. 3. Calculation of allowance; minimum and maximum amounts.** Sets the vendor allowance equal to 3% of the taxes collected, up to a maximum of \$90 per *reporting period*. The minimum vendor allowance is the lesser of \$10 or the total tax collected during the reporting period.
- Effective for sales and purchases made after June 30, 2015.
- 5** **Revenues cost of collection.** Requires the Department of Revenue to develop a free, electronically accessible address plus five-digit zip code lookup table for local sales tax collection. The table must be accessible to sellers by January 1, 2015, on the department’s Web site. The department may develop this internally or contract with an outside vendor. All costs will be paid from local sales tax collections and will be deducted from the amounts remitted back to local governments from the state. Currently the department maintains a nine-digit zip code lookup table as required under the Streamlined Sales and Use Tax Agreement (SSUTA) which is funded from local sales tax collections.