

Fiscal Analysis Department

Minnesota House of Representatives



Accelerated June Payments for Sales Tax and Other Taxes

Updated July 2014

This issue brief describes current law for accelerated June payments for sales tax and other taxes, recent legislative changes to this law, and the revenue impact of June accelerated payment on state revenues.

What are Accelerated June Tax Payments and what taxes are affected?

Sales tax and excise tax receipts are generally paid to the state on the 20th day of the month following the month in which a sale is made. As an example, the tax collected from sales made in December would be due January 20th. However, vendors, distributors and wholesalers that have annual sales and use tax or excise tax liability of \$250,000 or more during the state fiscal year are required to make an accelerated payment of a portion of the June tax collections in June.¹

Those who collect sales tax and excise tax that meet the \$250,000 liability threshold must remit 81.4 percent of estimated June tax liability for sales tax and excise taxes by June 26th. The remaining (settlement) payment and return for June is due in late August. The percentage required to be accelerated was reduced from 90 percent in 2013 to 81.4 percent starting in 2014.

In addition to sales and use tax, other state taxes affected by the June accelerated payment are motor vehicle rental tax and fee, excise taxes (alcohol, cigarette and tobacco)², liquor gross receipts tax and solid waste management taxes. These taxes are only subject to the June accelerated payment if the \$250,000 threshold is met.

¹ That payment requirement threshold was modified in the 2014 session in chapter 308. From 1993 to 2013, the payment requirement was for \$120,000 or more excise tax liability during the state fiscal year. It was last modified in Laws of 1993, chapter 375, article 1, section 15, subdivision 4.

² Excise taxes include cigarette, tobacco products, and alcoholic beverages taxes from wholesalers, distributors or manufacturers that are due on the 18th day following the month in which a sale is made.

The accelerated June payment is a revenue shift first used in the 1980's to help solve a state budget shortfall and is one of the few state revenue shifts that remain.³ Since the 1980's, the percent of accelerated June tax liability has oscillated from as low as 50 percent to as high as 90 percent.

Table 1. Recent History of June Accelerated Payments

1981	Enacted at 50% for Sales Tax for 1982 liabilities.
1986	Enacted at 50% for Cigarette Taxes, Tobacco Taxes, and Alcohol Beverage Taxes for 1987 liabilities.
1993	Increased from 50% to 75% for Sales Tax for 1994 liabilities. Increased from 50% to 75% for Cigarette Tax, Tobacco Taxes, and Alcohol Beverage Taxes for 1994 Liabilities.
2000	Reduced from 75% to 62% for 2002 Liabilities for Sales Tax. Repealed for 2002 Liabilities for Cigarette Taxes, Tobacco Taxes and Alcohol Beverage Taxes.
2001	Repealed for 2004 Liabilities for Sales Tax. (Never took effect. See the year 2003 notation.)
2002	Increased from 62% to 75% for 2002 and 2003 Liabilities for Sales tax.
2003	Re-Enacted at 85% for 2004 Liabilities for Sales Tax. Re-Enacted at 85% for 2004 Liabilities for Cigarette Taxes, Tobacco Taxes & Alcohol Beverage Taxes.
2006	Reduced from 85% to 78% for 2007 Liabilities for Sales Tax. Reduced from 85% to 78% for 2007 Liabilities for Cigarette Taxes, Tobacco Taxes & Alcohol Beverage Taxes.
2008	Increased from 78% to 90% for 2009 Liabilities for Sales Tax. Increased from 78% to 90% for 2009 Liabilities for Cigarette Tax, Tobacco Taxes & Alcohol Beverage Taxes.
2014	Reduced from 90% to 81.4% for Liabilities for Sales Tax Reduced from 90% to 81.4% for Liabilities for Cigarette Tax, Tobacco Taxes & Alcohol Beverage Taxes

(Source: 2012 MN Tax Handbook 2014 Laws, Chapter 308)

Table 2 shows the number of entities required to make an accelerated June Payment by tax type for the June 2014 payment requirement. In June 2014, there were slightly more than 267,000 sales and use tax permit holders with less than 1 percent (2,421) of these permit holders affected by this accelerated payment requirement. For Cigarette taxes, on the other hand, the majority of the distributors for this tax type are affected by this payment requirement.

Table 2. Business Entities Required to Make an Accelerated June Payment

Jun-2014	Total Entities	Total Entities Required to	
	Paying Tax	Make an Accelerated Payment	
	Count	Count	Percent of Total
Sales Tax Permit Holders	267,842	2,421	0.9%
Beer Wholesalers	90	10	11.1%
Wine/Spirit Distributors	120	16	13.3%
Cigarette Distributors	47	28	59.6%
Tobacco Distributors	253	20	7.9%

Source: Minnesota Department of Revenue, June 2014

³ In June 2009, Governor Pawlenty's administrative actions for executive unallotment for FY 2011 included two fiscal shifts. These shifts were: (1) Delay Capital Equipment Refunds; and (2) Delay Corporate Franchise Tax Refunds. For more information, see: <http://www.house.leg.state.mn.us/fiscal/files/09unallotsum.pdf>. Finally, there are accounting shifts for education. For more information, see: Money Matters 13.1, [State Education Accounting Shifts](#).

Impact of Accelerated June Payments on State Tax Revenues

The total dollar amount of taxes collected by the June Accelerated payment is largely determined by two provisions: (1) the required percentage payment amount; and (2) the payment requirement based on your annual tax liability. For FY 2014, if annual tax liability is at least \$250,000 for July 1 2012 to June 30, 2013, the business entity must pay at least 81.4 percent of actual June liability. With these requirements, the total estimated dollar amount of tax collections accelerated to the state is estimated to be \$277.760 million to both general fund and non general fund accounts in FY 2014.

Table 3 shows the estimated revenue reduction in the first year to all funds if the state did not have the June acceleration requirement. If the percentage of accelerated June Tax Payment is *decreased or eliminated*, the main revenue impact occurs in the first year that the decreased or eliminated percentage of accelerated June tax payment is required. The additional revenue loss from the decreased/eliminated accelerated June tax payment is the difference between the new and the old percentage of accelerated June tax liability that must be paid in June. To repeal June Acceleration from 81.4 percent to 0 percent with the \$250,000 annual threshold requirement in June 2014, the estimated revenue reduction to all funds was \$277.760 million in the first fiscal year (FY 2014) or \$283.660 million for the biennium (FY 2014-2015).⁴

Table 3. Repeal June Acceleration Payment – Estimated Revenue Reduction in the First Year Only to All Funds⁵

Elimination from 81.4% to 0%, Effective June 2014 tax liabilities (Dollars in Thousands)	Sales Tax	Excise Tax	Both
General Fund	(216,720)	(48,840)	(265,560)
Legacy Funds	(12,200)	---	(12,200)
Total	(228,920)	(48,840)	(277,760)

Source: Estimates derived using data from the MN Dept. of Revenue Tax Research Office, April 2014.

Note: Negative numbers indicate revenue loss, positive numbers indicate revenue gain.

Table 4 below shows the opposite perspective with an estimate for the amount of revenue that could be generated by *increasing* the percentage accelerated tax payment requirement from 81.4 percent to 100 percent in June 2014 based on the 2014 February Forecast. If the percentage of accelerated June Tax Payment is increasing, the bulk of the revenue impact occurs in the first year that the increased percentage is required. The revenue increase generated from the increased percentage of accelerated June tax payments is the difference between the new and the old percentages that must be paid in June. Requiring a 100 percent accelerated payment requirement in June 2014 would have shifted an estimated \$63.5 million from all funds to FY 2014.

⁴ For reference only, according to a 2014 revenue estimate by the Minnesota Department of Revenue, the revenue reduction in the first year to repeal the June acceleration payment requirement from 90% to 0% and at the \$120,000 annual threshold was \$324.9 million in FY 2014.

⁵ The Legacy Funds include the following: (1) Outdoor Heritage Fund; (2) Arts and Cultural Heritage Fund; (3) Clean Water Fund; and (4) Parks and Trails fund. For more budgetary information about these funds, please consult the Consolidated Fund Balance published by MMB.

After the first year of either increasing or decreasing the percentage of accelerated tax payments, the revenue impact in the subsequent years is affected by any positive or negative growth in tax receipts relative to the amount that is accelerated.

Table 4. Require 100% June Acceleration Payment– Estimated Revenue Increase in the First Year Only to All Funds⁵

Increasing Payment from 81.4% to 100%, Effective June 2014 tax liabilities (Dollars in Thousands)	Sales Tax	Excise Tax	Both
General Fund	49,600	11,200	60,800
Legacy Funds	2,790		2,790
Total	52,390	11,200	63,590

Source: Estimates derived using data from the MN Dept. of Revenue Tax Research Office, April 2014.
 Note: Negative numbers indicate revenue loss, positive numbers indicate revenue gain.

Mortgage and Deed Taxes

All counties are required to remit the state’s portion (97 percent) of the mortgage and deed registry tax collected by June 25 and the estimated amounts to be collected during the remainder of the month by June 26th. By June 26th, 81.4 percent of the state’s portion of the preceding May’s receipts must be remitted to avoid penalties. The penalty for underpayment of mortgage and deed taxes for remitting less than 81.4 percent became effective in 2004.

Taxes not subject to Accelerated June Tax Payments

The accelerated June tax payment does not apply to the lottery in lieu sales tax, and the motor vehicle sales tax (MVST).

For more information about June accelerated payment for sales taxes and other taxes, please contact Cynthia Templin at 651-297-8405 or at Cynthia.templin@house.mn.