

Fiscal Analysis Department

Minnesota House of Representatives



Accelerated June Payments for Sales Tax and Other Taxes

Updated January 2017

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 28th. 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, and 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

<i>1981</i>	Enacted at 50% for Sales Tax for 1982 liabilities.
<i>1986</i>	Enacted at 50% for Cigarette Taxes, Tobacco Taxes, and Alcohol Beverage Taxes for 1987 liabilities.
<i>1993</i>	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.
<i>2000</i>	Reduced from 75% to 62% for 2002 Liabilities for Sales Tax. Repealed for 2002 Liabilities for Cigarette Taxes, Tobacco Taxes and Alcohol Beverage Taxes.
<i>2001</i>	Repealed for 2004 Liabilities for Sales Tax. (Never took effect. See the year 2003 notation.)
<i>2002</i>	Increased from 62% to 75% for 2002 and 2003 Liabilities for Sales tax.
<i>2003</i>	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.
<i>2006</i>	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.
<i>2008</i>	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.
<i>2014</i>	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 2016 payment requirement. In June 2016, the Minnesota Department of Revenue reported that 170,000 businesses were registered to file a sales and use tax return with less than two percent (2,736) of the businesses registered required to remit an accelerated payment. In comparison, the majority of the distributors for cigarette taxes are affected by this accelerated payment requirement.

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

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](#).

Jun-2016	Total Entities Filing/Remitting Tax	Total Entities Required to Make an Accelerated Payment	
	Count	Count	Percent of Total
Sales Tax Permit Holders	170,000	2,736	1.6%
Beer Wholesalers	90	8	8.9%
Wine/Spirit Distributors	149	7	4.7%
Cigarette Distributors	47	26	55.3%
Tobacco Distributors	259	21	8.1%

Source: Minnesota Department of Revenue, Sales and Use Tax and Tax Research Divisions, January 2017

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 2018, if annual tax liability is at least \$250,000 for July 1 2017 to June 30, 2018, 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 \$326.9 million to both general fund and non general fund accounts in FY 2018.

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 2018, the estimated revenue reduction to all funds was \$326.9 million in the first fiscal year (FY 2018) or \$336.4 million for the biennium (FY 2018-2019).

Table 3. Repeal June Acceleration Payment – Estimated Revenue Reduction in the First Year Only to All Funds⁴ based on the revenue estimate for [HF 138 \(2017 session\)](#).

Elimination from 81.4% to 0%, Effective June 2018 tax liabilities (Dollars in Thousands)	Sales Tax	Excise Tax	Both
General Fund	(265,300)	(46,300)	(311,600)
Legacy Funds	(15,300)	---	(15,300)
Total	(280,600)	(46,300)	(326,900)

Note: Negative numbers indicate revenue loss (cost), positive numbers indicate revenue gain (savings).

⁴ 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.

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 2018 based on the 2016 November 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 2016 would have shifted an additional estimated \$75.9 million from all funds to FY 2018.

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 Funds based on the revenue estimate for [HF 138 \(2017 session\)](#)

Increasing Payment from 81.4% to 100%, Effective June 2018 tax liabilities (Dollars in Thousands)	Sales Tax	Excise Tax	Both
General Fund	61,599	10,750	72,349
Legacy Funds	3,552		3,552
Total	65,152	10,750	75,902

Note: Negative numbers indicate revenue loss (cost), positive numbers indicate revenue gain (saving).

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 28th. By June 28th, 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.