



Accelerated June Payments for Sales Tax and Other Taxes

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This issue brief describes current law for accelerated June payments for sales tax and other taxes 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 previous 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 in FY 2018 must remit 81.4 percent of estimated June 2019 tax liability for sales tax and excise by June 28th. The remaining (settlement) payment and return for June is due in late August. Starting with June 2020 tax liability, the percentage of June sales tax remitted increases from 81.4 percent to 87.5 percent. The 87.5 percent requirement is in effect for two calendar years. Beginning with June 2022 tax liability and thereafter, the percentage is reduced to 84.5 percent.

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 products)², liquor gross receipts tax and solid waste management taxes. These taxes are only subject to the June accelerated payment requirement 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. Please note that manufacturers of vapor products are not subject to the accelerated June payment requirement for sales taxes.

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, as shown in Table 1, the percentage of June sales tax remitted has oscillated from as low as 50 percent to as high as 90 percent.

Table 1. Recent History of June Accelerated Payment Percentage Changes

<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
<i>2020</i>	Increased from 81.4% to 87.5% for 2020 Liabilities for Sales Tax. Increased from 81.4% to 87.5% for 2020 Liabilities for Cigarette Tax, Tobacco Taxes & Alcohol Beverage Taxes
<i>2022</i>	Reduced from 87.5% to 84.5% for 2022 Liabilities for Sales Tax Reduced from 87.5% to 84.5% for 2022 Liabilities for Cigarette Tax, Tobacco Taxes & Alcohol Beverage Taxes

Source: 2018 MN Tax Handbook and First Special Session, Laws of 2019, Chapter 6.

Table 2 shows the number of entities required to make an accelerated June Payment by tax type. Based on data from June 2018, the Minnesota Department of Revenue reported that 166,000 businesses were registered to file a sales and use tax return with less than two percent of the businesses registered (2,734 returns) required to remit an accelerated payment. In contrast, over

³ In June 2009, Governor Pawlenty's administrative actions for executive unallotment for FY 2011 only included two fiscal shifts. These shifts were: (1) Delay Capital Equipment Refunds; and (2) Delay Corporate Franchise Tax Refunds. These are no longer in effect. 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](#).

one-thirds of cigarette distributors are affected by this accelerated payment requirement (44.48 percent of returns).

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

Jun-2018	Total Entities Filing/Remitting	Total Entities Required to Make an Accelerated Payment	
	Count	Count	Percent of Total
Sales Tax	166,000	2,734	1.65%
Beer Wholesalers	90	7	7.78%
Wine/Spirit Distributors	100	8	8.00%
Cigarette Distributors	46	20	43.48%
Tobacco Distributors	261	18	6.90%

Source: Minnesota Department of Revenue, Tax Research Division, September 2019

Impact of Accelerated June Payments on State Tax Revenues

Table 3 shows the estimated revenue impact in the first year to all funds to reduce the June sales tax remitted by 81.4 percent in FY 2020. 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 in subsequent years results from the difference between the new and the old percentage of accelerated June tax liability that must be paid in June. To reduce the June sales tax remitted by 81.4 percent with the \$250,000 annual threshold requirement in June 2020, the estimated revenue reduction to all funds is \$326.1 million in the first fiscal year (FY 2020) or \$335.6 million for the biennium (FY 2020-2021). The total revenue reduction (cost) for the elimination or repeal of the 87.5 percent current law requirement for June 2020 liability would exceed the total revenue reduction (cost) amount listed in Table 3.

Table 3. June Acceleration Payment Requirement Reduction – Estimated Revenue Reduction in the First Year Only to All Funds⁴ based on the revenue estimate for [HF 1809 \(2019 session\)](#).

Reduce Requirement by 81.4%, Effective June 2020 tax liabilities	Sales Tax	Excise Tax	Both
General Fund	(268,600)	(39,700)	(308,300)
Legacy Funds	(17,800)	---	(17,800)
Total	(286,400)	(39,700)	(326,100)

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

Table 4 shows the estimated revenue impact of a one percent change to the June acceleration payment percentage requirement. The revenue impact is a revenue loss or revenue increase depending on the direction of the percentage change.

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. June Acceleration Requirement – Revenue Impact with a One-Percent Change to All Funds based on the revenue estimate for [HF 1809 \(2019 session\)](#)

June Acceleration Requirement, Revenue Impact for a 1 Percent Change (Dollars in Thousands)	Sales Tax	Excise Tax	Both
General Fund	3,300	488	3,787
Legacy Funds	219		219
Total	3,518	488	4,006

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. The penalty for underpayment of mortgage and deed taxes for remitting less than 81.4 percent (or 87.5 percent starting in June 2020) became effective in 2004. For all other months, remittances of these taxes to the state is due by the 20th of the month following the month in which the taxes were collected.

Taxes not subject to Accelerated June Tax Payments

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

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.