



## Accelerated June Payments for Sales Tax and Other Taxes

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*This issue brief describes the history of the accelerated June payment requirement for sales tax and other taxes, the timing of how the June payment is remitted and the revenue impact of this “shift” on the state budget.*

### Tax Filing & the Accelerated June Payment Requirement

For state sales tax and excise taxes, the timing and schedule when these taxes must be filed and paid depends on the tax liability of each business.<sup>1</sup> These taxes are filed and paid by businesses or vendors, distributors, and wholesalers. Vendors, distributors, and wholesalers with a tax liability of more than \$500 per month must collect and remit taxes to the Minnesota Department of Revenue on a monthly basis.

In general, sales and use taxes must be filed and paid to the state on the 20<sup>th</sup> day of the month following the month in which a sale is made.<sup>2</sup> Excise taxes must be filed and paid to the state on the 18<sup>th</sup> day of the month following the end of the reporting month. The tax collected from sales made in December would be due January 20<sup>th</sup> or January 18 for excise taxes.

A June accelerated payment is required for vendors, distributors and wholesalers that have an annual tax liability of \$250,000 or more during the previous state fiscal year. For the monthly file and payment requirement due in June, affected vendors, distributors and wholesalers must remit actual May tax liability plus an accelerated payment of a portion of June tax collections two business days before June 30. Since the requirement was first enacted, the amount of a required accelerated June payment is based on a percentage rate. The required rate has oscillated from as low as 50 percent for 1982 June liabilities to as high as 87.5 percent for June 2020 liabilities. The remaining (settlement) payment and return for June is due in late August.

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<sup>1</sup> Excise taxes referenced in this document include cigarette, tobacco products, and alcohol beverage taxes from wholesalers, distributors, manufacturers, or out-of-state retailers.

<sup>2</sup> Liquor gross receipts tax, solid waste management tax and motor vehicle rental tax and fee are remitted on a sales tax return and are subject to the accelerated June payment requirement.

## **The Fiscal Impact of the Accelerated June Payment on the State Budget**

As mentioned above it is very common for sales and use taxes and excise taxes to be filed and paid on the 18<sup>th</sup> or the 20<sup>th</sup> day, following the month in which the sale was made. If tax liability exceeds a certain threshold, taxpayers must accelerate a percentage of their June tax liability for the next fiscal year. As far as the mechanics of the accelerated June payment on the state budget, it has the effect of providing an initial one-time shift of payments that would be normally paid in the first month of the following fiscal year (July) but instead is paid in the last month of the current fiscal year (June).

Basically, the accelerated June payment has been used by the Legislature as a “fiscal shift”. The revenue gain from the fiscal shift is used to reduce a shortfall in the state budget by shifting a payment forward into the current biennium. A revenue gain to the state occurs if the proposed accelerated percentage rate for the June payment is increased relative to the current accelerated percentage rate schedule. For example, in 2019, the Legislature enacted a rate change that affected June 2020 liabilities. The accelerated percentage rate increased from 81.4 percent (previous rate) to 87.5 percent (proposed rate that was enacted). This shift was estimated to raise an additional \$20.1 million in the general fund and \$1.16 million in Legacy funds for the FY 2020-21 biennium with the main fiscal impact in the first year of that biennium (2020). Due the growth in sales tax receipts each year, after the first fiscal year, the shift also increases revenue in other fiscal years but by a much smaller amount.

## **History of Accelerated June Payment Requirement**

In 1981, three special sessions were needed to balance the budget, fix cash flow and revenue short fall issues. The accelerated June payment requirement is one of the few state revenue shifts that remain.<sup>3</sup> The accelerated June payment shift, first effective with 1982 tax liabilities for sales taxes, was estimated to result in a \$31.0 million gain to the general fund.<sup>4,5</sup> The accelerated June payment percentage rate has been increased in six omnibus tax bills to raise revenue or offset a budget shortfall since its enactment.

In addition to percentage rate increases as a method to raise revenue, the accelerated June payment requirement was expanded to affect more tax filers. In 1986, the accelerated June payment shift requirement was added to the remittance requirements for cigarette tax, tobacco tax and alcohol beverage tax starting with 1987 June liabilities. In 2003, the accelerated June payment shift requirement was added to the remittance requirements for mortgage and deed taxes starting with June 2004 tax liabilities. In addition, financial underpayment penalties were enacted to ensure compliance with this accelerated payment requirement.

The type of filer targeted to remit this payment has also evolved since the requirement was first enacted. The tax liability threshold for remitting this payment, for example, has increased. The

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<sup>3</sup> 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](#).

<sup>4</sup> [1981, Third Special Session, Chapter 2, Article 5, section 3.](#)

<sup>5</sup> [Senate Fiscal Review, 1981 to 1984, Sales tax, page. 37.](#)

tax liability threshold increased from \$1,500 or more tax liability in May 1982 to having tax liability of \$120,000 or more during a fiscal year in 1993. In 2014, the tax liability threshold affected by this requirement was increased again to \$250,000. With these changes to the threshold, the type of filer remitting the accelerated June payment is more targeted at vendors, distributors, and wholesalers with the highest volume of sales.

At the other end of the spectrum, the Legislature has also tried to “buy back” or reverse the shift. The accelerated June payment percentage rate has been reduced four times since enactment. The requirement was also scheduled to be repealed in 2001 but that repeal was eliminated in 2003.

In 2021, rather than enact a law to directly eliminate the shift, a law was enacted that added a sixth priority to the allocation of funds if an unrestricted positive (surplus) general fund balance at the time of the November Forecast. The sixth budget priority added was to reduce or eliminate the accelerated June payment requirement for sales tax. In the November 2021 forecast, this budget priority was fulfilled with the elimination of the requirement for June 2022 sales tax liabilities.<sup>6</sup> This law only affects the accelerated June payment for sales tax. Cigarette tax, tobacco tax, alcohol beverage tax and mortgage and deed taxes must pay an accelerated payment in June as required.

Table 1 shows the history of increases and decreases to required accelerated June percentage rate from 1981 to 2021.

**Table 1. History of Changes to the Accelerated June Payment Requirement, 1981 to 2021**

Session	Accelerated June Payment Changes	Tax Liability Threshold	Liabilities Affected
1981	50% for Sales Tax	\$1,500 or more in May	1982
1986	50% for Cigarette, Tobacco & Alcohol Taxes	\$1,500 or more in May	1987
1993	Increased to 75% for Sales, Cigarette, Tobacco & Alcohol Taxes	\$120,000 or more in a Fiscal Year	1994
2000	Decreased to 62% (from 75%) for Sales tax	\$120,000 or more in a Fiscal Year	2002
2001	Repealed the Accelerated June Payment Requirement for Sales Tax	\$120,000 or more in a Fiscal Year	2004
2002	Increased to 75% (from 62%) for Sales Tax	\$120,000 or more in a Fiscal Year	2002-2003
2003	Eliminates the repeal, Increase to 85% (from 75%) for Sales, Cigarette, Tobacco & Alcohol Taxes.	\$120,000 or more in a Fiscal Year	2004
	Establishes a Mortgage & Deed Tax Acceleration June Requirement of 100%	Not applicable	2004

<sup>6</sup> Enacted by the 2021 omnibus tax bill, First Special Session, Chapter 14, article 4, sections 1-3. The February 2022 Economic Forecast by Minnesota Management and Budget estimated this provision to have a cost of \$359.0 million to the general fund, page 56.

Session	Accelerated June Payment Changes	Tax Liability Threshold	Liabilities Affected
2006	Decreased to 78% (from 85%) for Sales, Cigarette, Tobacco & Alcohol Taxes	\$120,000 or more in a Fiscal Year	2007
2008	Increased to 80% (from 78%) for Sales, Cigarette, Tobacco & Alcohol Taxes	\$120,000 or more in a Fiscal Year	2009
2008	Increased to 90% (from 80%) for Sales, Cigarette, Tobacco & Alcohol Taxes	\$120,000 or more in a Fiscal Year	2009
2014	Reduced to 81.4% (from 90%) for Sales, Cigarette, Tobacco & Alcohol Taxes	\$250,000 or more in a Fiscal Year	2014
2019	Increased to 87.5% (from 81.4%) for Sales, Cigarette, Tobacco & Alcohol Taxes	\$250,000 or more in a Fiscal Year	2020
	Reduced to 84.5% (from 87.5%) for Sales, Cigarette, Tobacco & Alcohol Taxes	\$250,000 or more in a Fiscal Year	2022
2021	Excludes Lumber, Millwork & Concrete Vendors from the Requirement.	\$250,000 or more in a Fiscal Year	2022
	Effective July 1, 2021, adds a sixth priority to the budget reserve law that allows a positive balance at the time of the November Forecast to be used to reduce or eliminate the June accelerated payment for sales and use tax liabilities until the percentage is reduced to zero.	Not applicable	After 2021

**Table 2. Total Filers (Businesses & Counties) with an Accelerated June Payment in 2020 <sup>7</sup>**

June 2020 Payments	Total Filers (count)	Filer Required to Make an Accelerated Payment (count)	Filer Required to Make an Accelerated Payment (percent)
Sales Tax	165,501	2,713	1.64%
Beer Wholesalers	114	7	6.14%
Wine/Spirit Distributors	127	7	5.51%
Cigarette Distributors	44	21	47.73%
Tobacco Distributors	246	18	7.32%
Counties	87	87	100.00%

### **The Accelerated June Payment Requirement after June 2022**

Starting with June 2022 liabilities, vendors that remit sales taxes and have a tax liability of \$250,000 or more during a fiscal year, are no longer subject to this requirement due to a 2021 law change. Wholesalers, distributors, and counties that remit alcohol, cigarette, tobacco, mortgage, and deed taxes are still subject to this requirement. Table 3 shows the estimated total fiscal impact (cost) to all funds if the accelerated June payment requirement is repealed for the remaining tax types. With repeal, the fiscal impact to the state budget is mostly one-time in the first year after its enactment.

<sup>7</sup> Data from Minnesota Department of Revenue, Tax Research Division, June 2020.

**Table 3. The Estimated Revenue Impact to Repeal the Accelerated June Payment Shift after June 2022 <sup>8</sup>**

Eliminate June Acceleration Requirement (dollars in 000's)					
Assumes a June 30, 2023 Effective Date	Estimates based on the February 22 forecast				
	FY 2023	FY 2022-23	FY 2024	FY 2025	FY 2024-25
Mortgage & Deed Taxes	(25,100)	(25,100)	(600)	200	(400)
Cigarette & Tobacco Excise taxes & Sales tax	(37,200)	(37,200)	200	-	200
Alcohol Beverage Excise taxes	(7,800)	(7,800)	(200)	(200)	(400)
General Fund Total*	(70,100)	(70,100)	(600)	-	(600)
Mortgage & Deed Taxes	(1,400)	(1,400)	-	-	-
Cigarette & Tobacco Excise taxes & Sales tax	(2,200)	(2,200)	-	100	100
Alcohol Beverage Excise taxes	(500)	(500)	-	-	-
Legacy Funds or Natural Res/Arts Funds Total*	(4,100)	(4,100)	-	100	100
<b>All Funds - TOTAL *</b>	<b>(74,200)</b>	<b>(74,200)</b>	<b>(600)</b>	<b>100</b>	<b>(500)</b>

*\*revenue gain from the repeal of penalty fees not included in total*

References:

Sources for Table 1: Omnibus Tax Act with June Acceleration Payment Changes
<a href="#">1981, 3SS, Chapter 2, Article 5, Section 3</a>
<a href="#">1986, 1SS, Chapter 1, Article 7, Sections 22,26</a>
<a href="#">1993, Chapter 375, Article 1, Sections 4,12,15,22,29,30,31,32,36,38</a>
<a href="#">2001, Chapter 490, Article 8, Sections 1,3</a>
<a href="#">2001 1SS, Chapter 5, Article 12, Section 95</a>
<a href="#">2002, Chapter 377, Article 3, Section 2</a>
<a href="#">2003, Chapter 127, Article 6, Section 2</a>
<a href="#">2003, Chapter 21, Article 8, Sections 4,6, Article 9, Section 9</a>
<a href="#">2006, Chapter 259, Article 13, Section 3,7,8</a>
<a href="#">2008, Chapter 154, Article 6</a>
<a href="#">2008, Chapter 366, Article 8</a>
<a href="#">2014, Chapter 308, Article 3, Section 5,16,19</a>
<a href="#">2019, 1SS, Chapter 6, Article 3, Section 2,3,16,17</a>
<a href="#">2021, 1SS, Chapter 14, Article 4, Section 1,2,3 and Article 15, section 6</a>

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<sup>8</sup> Estimates in Table 3 is from the Tax Research Division of the Minnesota Department of Revenue. Estimates are based on 2022 February Forecast Data