

October 19, 2023

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of Chapter 68 (H.F. 2887) Article 3, Sections 8-12

	Fund Impact			
	F.Y. 2024	F.Y. 2025	F.Y. 2026	F.Y. 2027
	(000's)			
Transportation Advancement Account	\$0	\$59,000	\$64,800	\$65,300
Special Revenue Fund	*	*	*	*
Total – All Funds	\$0	\$59,000	\$64,800	\$65,300

*An unknown amount will be deposited in the Revenue Department Service and Recovery Special Revenue Fund

Effective July 1, 2024.

EXPLANATION OF THE BILL

The bill, as proposed to be amended, would establish a retail delivery fee imposed on retail deliveries in Minnesota. A retail delivery is defined as a delivery to a person located in Minnesota. The sale must contain at least one item of tangible personal property subject to sales tax, or clothing, for the fee to apply. The fee would be \$0.50 per retail delivery transaction that equals or exceeds a threshold amount of \$100. Only nonexempt items would count toward the \$100 threshold amount. The bill, as proposed to be amended, provides an exemption from the fee for retailers that made \$1 million in retail sales or less in the previous calendar year. A marketplace provider would also be exempt from the fee when facilitating the sale of a retailer that made \$100,000 of sales or fewer through the marketplace provider in the previous calendar year. The bill also provides exemptions for certain transactions containing the retail sale of prepared food, baby products, diapers, and sales by food and beverage service establishments. Retailers and marketplace providers would have up to 60 days to begin collecting the fee once it is determined they have met their respective thresholds.

An amount necessary to collect, administer, and enforce the retail delivery fee would be deposited in the Revenue Department Service and Recovery Special Revenue Fund. The remaining revenues would be deposited in the Transportation Advancement Account.

REVENUE ANALYSIS DETAIL

- Data from the retail delivery fee in Colorado was used to inform the estimates.
- It is estimated that there will be 48 deliveries per person annually subject to the delivery fee.
- Minnesota’s population in 2021 was an estimated 5,711,471 according to the U.S. Census Bureau.
- Minnesota’s population is assumed to grow at a rate of 0.7% annually based on projections from the Minnesota state demographer.
- The estimates are reduced to account for retailers and transactions that would be exempt from the fee.

- The estimates are further reduced to account for transactions of nonexempt items under \$100.
- Publicly available industry market research was used to estimate the impact of exempt items.
- The fiscal year 2025 estimate is adjusted for eleven months of collections.

Minnesota Department of Revenue
Tax Research Division
[https://www.revenue.state.mn.us/
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