

MINNESOTA WHOLESALE MARKETERS ASSOCIATION

May 16, 2022

TO: Senate and House Tax Conference Committee Chairpersons Carla Nelson and Paul Marquart and the Senate and House Tax Conferees

FROM: Thomas Briant, MWMA Executive Director

In 1997, some 25 years ago, the accelerated cigarette and tobacco excise taxes were enacted as part of a budget balancing measure. These accelerated taxes are not about tobacco at all, but rather were enacted as a means to balance the state's budget by requiring taxes to be remitted by the state's wholesalers in a current fiscal year before these companies even collect the tax revenue in the upcoming fiscal year.

Specifically, Minnesota's wholesalers are required to remit to the Department of Revenue no later than two business days before the end of each June both the May liability for cigarette and tobacco excise taxes plus 87.5% of the estimated June liability for these same taxes. For all other months, wholesalers are required to remit only the prior month's cigarette and tobacco excise tax liability by the 18th day of each month.

Since wholesalers generally sell grocery, snack, candy, beverage and tobacco products to retail stores on credit or terms, virtually every wholesaler needs to have a line of credit in place with their respective bank in order to borrow the funds to pay the estimated 87.5% of their June liability for excise taxes. The collective amount of these loans to pay the accelerated taxes that are not yet due generally exceed \$40 million dollars.

This double payment of taxes in the month of June has always placed a financial strain on wholesale companies, many of which are second and third generation Minnesota family-owned businesses. The result of having to borrow money to pay the accelerated taxes constrains cash flow and is exacerbated by the payment of interest on the loans, which the State of Minnesota does not reimburse to wholesalers. Put simply, the payment of taxes in a current fiscal year that would actually come due in the next fiscal year is unfair and not good tax policy.

With a current projected state budget surplus of \$9.25 billion dollars and possible budget surpluses in the coming years, the wholesale members of the Minnesota Wholesale Marketers Association urge you to support Article 10, Section 3 of the House Omnibus Tax Bill, which schedules the repeal of these accelerated taxes based on future budget surpluses. With large expected budget surpluses, the very reason to require accelerated taxes no longer exists because there is no budget deficit. The time is now to correct this tax policy and relieve Minnesota wholesale businesses from this financial burden.

Your consideration of this request to repeal the accelerated taxes would be sincerely appreciated by the state's wholesale businesses.