



May 3, 2021

Dear Chairs Marquart and Nelson and Members, Taxes Conference Committee:

Thank you for the opportunity to comment on provisions of interest to Metro Cities included in the Senate and House versions of HF 991:

- Metro Cities supports House and Senate language to simplify the process for local units of government on purchases of construction materials for public safety facilities. Metro Cities supports a July 1, 2021 effective date that will allow retroactive exemption requests to access the exemption. Metro Cities' policies generally support a general streamlining of the construction sales tax exemption process for local government purchases.
- Metro Cities supports the House and Senate provisions that allow local governments to establish special taxing districts for the provision of fire protection and emergency medical services.
- Metro Cities supports the current 4d rental classification program in state law. The association also supports an analysis of an expansion of the 4d program included in the House bill, so that state and local policymakers have information on any expansion effects on local property tax bases prior to enacting an expansion. Metro Cities opposes the provision in the Senate bill to expand the program without a detailed study of property tax effects that would result from an expansion. Metro Cities appreciates the provision in the Senate bill to provide for a local approval process for new 4d properties enrolling in the program but remains concerned about a lack of guardrails to ensure that the benefits of a 4d expansion include renters.
- Metro Cities recognizes provisions in the House bill to expand truth in taxation processes and the intent to increase public transparency. Metro Cities believes, however, that the proposed additional requirements stand to significantly increase local administrative burdens. Metro Cities supports current requirements that provide opportunities throughout the local budget setting process for public comment and participation.
- Metro Cities supports the provision in the Senate bill that creates a one-time supplemental aid under the Local Government Aid (LGA) program for cities that will experience a reduction in LGA for 2022. This aid recognizes challenges cities are confronting during the pandemic as well as the need for additional review of the LGA program. Metro Cities stands ready to assist in legislative efforts to review the program to ensure it is appropriately stable and adequately meets cities' needs.

- Metro Cities supports provisions in the House bill that provide temporary flexibility in the use of tax increment that allows cities flexibility as they continue to address service needs relating to the pandemic, that provide flexibility in the use of tax increment to address local housing needs and that extend the five-year rule for certain tax increment financing districts to 10 years.
- Metro Cities supports the expansions to the homestead credit refund and renter's credit in the House bill.
- The House and Senate bills authorize specific local sales and lodging taxes. Metro Cities does not take positions on city-specific bills, but the association's policies support a state and local revenue system that allows for greater revenue diversification and access for cities, including the ability of cities to impose local option sales taxes and local lodging taxes to address certain local needs and improvements.
- Metro Cities opposes the provision in the Senate bill that prohibits local excise taxes and fees related to the manufacture and distribution of food as well as excise taxes and fees on food containers. Metro Cities policies support allowing local units of government to make these decisions.

Thank you for the opportunity to comment on the provisions in the House and Senate versions of HF 991. I would be happy to provide further information.

Sincerely,



Patricia Nauman
Executive Director