

April 8, 2025

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 3027 (Gomez)

The bill would authorize local governments to impose, extend, or modify the uses of a local sales tax to finance a specified capital project. The bill defines a specified capital project as a community center, convention center, district court, law enforcement center, library, park, sports complex, or trail. Before imposing the tax, the local government would need to receive voter approval and approval from the commissioner of revenue. If the specified capital project is a sports complex, community center, or convention center, the local government must meet additional requirements, including an analysis of the surrounding region and equal fees for residents and nonresidents. There would also be additional requirements for criminal justice facilities and parks and trails.

The total tax rate imposed by a local government must not exceed one-half of one percent. Any existing local sales taxes count towards the cap, except county transportation taxes authorized under 297A.993. The maximum collection period for a local sales tax would be 30 years. A public hearing must be held prior to seeking authority to impose a local sales tax. After the public hearing, a resolution must be adopted by the local government and at least two surrounding local governments must acknowledge the regional need for the project. Voter approval is required. If the local sales tax does not meet certain requirements, legislative approval must be granted.

The commissioner of revenue would be required to remit the proceeds of local sales taxes. One percent of the proceeds would be retained for the costs of administering, auditing, and collecting the local sales tax. Additionally, the political subdivision's contribution share for a newly created equalization distribution would be retained. The contribution share would be fifteen percent for taxes authorized under the new provisions, fifteen percent for modifications to taxes authorized by special law prior to July 1, 2025, and twenty percent for taxes authorized by special law after July 1, 2025.

The bill would create a local sales tax equalization distribution. Funds would be distributed among political subdivisions based on fiscal capacity. Existing local sales taxes would be exempt from the equalization distribution. The bill defines fiscal capacity as adjusted net tax capacity divided by population.

The bill would have no impact on state taxes.

Source: Minnesota Department of Revenue
Tax Research Division
<https://www.revenue.state.mn.us/revenue-analyses>