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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 3027

04/01/2025 Authored by Gomez
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; local sales and use; authorizing cities and counties to impose
1.3 local sales taxes for certain projects; providing for oversight; requiring revenue
1.4 sharing; requiring a report; appropriating money; amending Minnesota Statutes
1.5 2024, section 297A.99, subdivisions 1, 3, by adding a subdivision; proposing
1.6 coding for new law in Minnesota Statutes, chapter 297A; repealing Minnesota
1.7 Statutes 2024, section 297A.99, subdivision 3a.

1.8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.9 Section 1. Minnesota Statutes 2024, section 297A.99, subdivision 1, is amended to read:

1.10 Subdivision 1. Authorization; scope. (a) A political subdivision of this state may impose
1.11 a general sales tax:

1.12 (1) under section 297A.9901;

1.13 (2) under section 297A.9915, (2);

1.14 (3) under section 297A.992, (3);

1.15 (4) under section 297A.9925, (4);

1.16 (5) under section 297A.993, (5);

1.17 (6) if permitted by special law; or

1.18 (6) (7) if the political subdivision enacted and imposed the tax before January 1, 1982,
1.19 and its predecessor provision.

1.20 (b) This section governs the imposition of a general sales tax by the political subdivision.

1.21 The provisions of this section preempt the provisions of any special law:

1.22 (1) enacted before June 2, 1997; or

2.1 (2) enacted on or after June 2, 1997, and before July 1, 2025, that does not explicitly
 2.2 exempt the special law provision from this section's rules by reference.

2.3 (c) This section does not apply to or preempt a sales tax on motor vehicles. Beginning
 2.4 July 1, 2019, no political subdivision may impose a special excise tax on motor vehicles
 2.5 unless it is imposed under section 297A.993.

2.6 (d) A political subdivision may not advertise or expend funds for the promotion of a
 2.7 referendum to support imposing a local sales tax and may only spend funds related to
 2.8 imposing a local sales tax to:

2.9 (1) conduct the referendum;

2.10 (2) disseminate information included in the resolution adopted under subdivision 2, but
 2.11 only if the disseminated information includes a list of specific projects and the cost of each
 2.12 individual project;

2.13 (3) provide notice of, and conduct public forums at which proponents and opponents on
 2.14 the merits of the referendum are given equal time to express their opinions on the merits of
 2.15 the referendum;

2.16 (4) provide facts and data on the impact of the proposed local sales tax on consumer
 2.17 purchases; and

2.18 (5) provide facts and data related to the individual programs and projects to be funded
 2.19 with the local sales tax.

2.20 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.21 Sec. 2. Minnesota Statutes 2024, section 297A.99, is amended by adding a subdivision to
 2.22 read:

2.23 **Subd. 2a. Scope.** The provisions of this section only apply to a tax imposed and enacted
 2.24 by special law. A political subdivision seeking to amend, extend, or otherwise change a tax
 2.25 imposed and enacted before July 1, 2025, must do so pursuant to the requirements of section
 2.26 297A.9901.

2.27 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.28 Sec. 3. Minnesota Statutes 2024, section 297A.99, subdivision 3, is amended to read:

2.29 **Subd. 3. Legislative authority required before voter approval; requirements for**
 2.30 **adoption, use, termination.** (a) A political subdivision must receive legislative authority
 2.31 to impose a local sales tax before submitting the tax for approval by voters of the political

3.1 subdivision. Imposition of a local sales tax is subject to approval by voters of the political
3.2 subdivision at a general election. The election must be conducted at a general election within
3.3 the two-year period after the governing body of the political subdivision has received
3.4 authority to impose the tax. If the authorizing legislation allows the tax to be imposed for
3.5 more than one project, there must be a separate question approving the use of the tax revenue
3.6 for each project. Notwithstanding the authorizing legislation, a project that is not approved
3.7 by the voters may not be funded with the local sales tax revenue and the termination date
3.8 of the tax set in the authorizing legislation must be reduced proportionately based on the
3.9 share of that project's cost to the total costs of all projects included in the authorizing
3.10 legislation.

3.11 (b) The proceeds of the tax must be dedicated exclusively to payment of the construction
3.12 and rehabilitation costs and associated bonding costs related to the specific capital
3.13 improvement projects that were approved by the voters under paragraph (a).

3.14 (c) The tax must terminate after the revenues raised are sufficient to fund the projects
3.15 approved by the voters under paragraph (a).

3.16 (d) After a sales tax imposed by a political subdivision has expired or been terminated,
3.17 the political subdivision is prohibited from imposing a local sales tax for a period of one
3.18 year.

3.19 ~~(e) Notwithstanding paragraph (a), if a political subdivision received voter approval to~~
3.20 ~~seek authority for a local sales tax at the November 6, 2018, general election and is granted~~
3.21 ~~authority to impose a local sales tax before January 1, 2021, the tax may be imposed without~~
3.22 ~~an additional referendum provided that it meets the requirements of subdivision 2 and the~~
3.23 ~~list of specific projects contained in the resolution does not conflict with the projects listed~~
3.24 ~~in the approving referendum. Beginning January 1, 2026, the annual financial reporting~~
3.25 ~~requirements under section 297A.9902, subdivision 2, apply to taxes authorized under~~
3.26 ~~special law or under this section.~~

3.27 (f) If a tax is terminated because sufficient revenues have been raised, any amount of
3.28 tax collected under subdivision 9, after sufficient revenues have been raised and before the
3.29 quarterly termination required under subdivision 12, paragraph (a), that is greater than the
3.30 average quarterly revenues collected over the immediately preceding 12 calendar months
3.31 must be retained by the commissioner for deposit in the general fund.

3.32 (g) A political subdivision that receives special law authority to impose a tax must file
3.33 a certificate of local approval with the secretary of state in accordance with section 645.021,
3.34 subdivisions 2 and 3. If the tax is approved by the voters, the political subdivision must

4.1 impose the tax within 15 months of receiving voter approval. If the tax is not imposed within
 4.2 15 months, the special law authority to impose the tax expires.

4.3 (h) Upon expiration of a tax authorized under this section or any other law, ordinance,
 4.4 or city charter, the combined tax rate limit in section 297A.9901, subdivision 7, applies.

4.5 (i) If, after receiving voter approval, a political subdivision cancels a project approved
 4.6 by the voters, the political subdivision must notify the commissioner. The commissioner
 4.7 must proportionately decrease the maximum amount of tax revenue the political subdivision
 4.8 may collect and must adjust the termination of the tax accordingly. If the political subdivision
 4.9 has already collected revenue for the canceled project, the political subdivision must return
 4.10 the money to the commissioner to be added to the local sales tax equalization account for
 4.11 the political subdivision's contribution share in accordance with section 297A.9903. The
 4.12 political subdivision must use any other source of revenue available to pay any outstanding
 4.13 debt on the bonds that were issued for the canceled project.

4.14 **EFFECTIVE DATE.** This section is effective the day following final enactment.

4.15 Sec. 4. **[297A.9901] LOCAL SALES TAXES; LOCAL AUTHORIZATION**
 4.16 **ALLOWED.**

4.17 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have
 4.18 the meanings given.

4.19 (b) "Associated bonding costs" means the costs of issuing bonds to finance a specified
 4.20 capital project, including but not limited to the costs of issuing the bonds, capitalized interest,
 4.21 and paying principal and interest on the bonds.

4.22 (c) "Community center" means a structure that is expressly designed and constructed
 4.23 for the purposes of recreational, cultural, educational, or public group activities, or for civic
 4.24 engagement or social support, that serves residents and nonresidents of the community.

4.25 (d) "Convention center" means a structure that is expressly designed and constructed
 4.26 for the purpose of presenting conventions, public meetings, and exhibitions, and that contains
 4.27 at least 50,000 square feet for exhibit and meeting spaces and includes parking facilities
 4.28 that serve the center.

4.29 (e) "District court" means one of the ten judicial district courts in Minnesota subject to
 4.30 chapter 484.

4.31 (f) "General election" has the meaning given in section 200.02.

5.1 (g) "Law enforcement center" means a facility that serves multiple communities and
5.2 provides public safety functions, including a fire or police station and a facility that provides
5.3 emergency 911 and dispatch functions, training facilities, court security and support,
5.4 emergency operations, evidence and record retention, and other public safety services. Law
5.5 enforcement center does not include correctional facilities licensed under section 241.021.

5.6 (h) "Library" means a library that is part of a regional public library system established
5.7 under section 134.20.

5.8 (i) "Metropolitan county" has the meaning given in section 473.121, subdivision 4.

5.9 (j) "Park" means an area of regional significance that contains natural, seminatural, or
5.10 planted space set aside for public recreation and enjoyment or for the protection of wildlife
5.11 or natural habitats.

5.12 (k) "Political subdivision" means a county or a statutory or home rule charter city located
5.13 in Minnesota.

5.14 (l) "Special election" has the meaning given in section 200.02, except that a special
5.15 election held under this section must be held on the first Tuesday after the first Monday in
5.16 November.

5.17 (m) "Specified capital project" means a community center, convention center, district
5.18 court, law enforcement center, library, park, sports complex, or trail. A specified capital
5.19 project must serve a regional population, provide economic development benefits and
5.20 opportunities, or draw nonresident individuals to the region.

5.21 (n) "Sports complex" means a defined area of sports pavilions, stadiums, gymnasiums,
5.22 swimming pools, or similar facilities where regional tournaments may be hosted and where
5.23 members of the public engage in physical exercise, participate in athletic competitions,
5.24 attend sporting events, and host regional tournaments. Sports complex does not include
5.25 venues in which a professional sports team competing in Major League Baseball, Major
5.26 League Soccer, the National Basketball Association, the Women's National Basketball
5.27 Association, the National Football League, or the National Hockey League competes in
5.28 games, competitions, training, or practices.

5.29 (o) "Trail" means a path or track that passes through a natural area and that serves a
5.30 destination, provides recreational opportunities, and draws a regional population.

5.31 Subd. 2. **Local authorization allowed.** Notwithstanding section 477A.016 or any other
5.32 law or ordinance, a political subdivision may impose, extend, or modify the uses of a local
5.33 sales tax to finance a specified capital project by: (1) meeting the requirements of this

6.1 section; (2) receiving approval from the commissioner; and (3) receiving voter approval.
6.2 The authorization under this section applies to an extension to or modification of a local
6.3 sales tax authorized under special law or the requirements of section 297A.99, or any other
6.4 law, ordinance, city charter, or other provision.

6.5 Subd. 3. **Use of proceeds.** The proceeds of a tax imposed under this section must be
6.6 dedicated exclusively to paying construction or rehabilitation costs, including associated
6.7 bonding costs, related to the specified capital projects approved by the voters. A political
6.8 subdivision may use the proceeds of a tax to fund not more than three specified capital
6.9 projects. Specified capital projects must meet the requirements in subdivisions 1 and 4 to
6.10 6. The political subdivision imposing the tax must not commingle revenue from a tax
6.11 approved by the voters under this section with revenue from a tax authorized under section
6.12 297A.99, or any other law, ordinance, city charter, or other provision, including an extension
6.13 of or modification to the uses of a tax for a different project.

6.14 Subd. 4. **Sports complexes, community centers, and convention centers; additional**
6.15 **requirements.** (a) To impose a tax to fund the construction or rehabilitation of a community
6.16 center, sports complex, or convention center, a political subdivision must:

6.17 (1) perform an analysis of the surrounding region that demonstrates there is no similar
6.18 sports complex, community center, or convention center open to nonresidents at the same
6.19 cost as residents within a 15-mile radius of the political subdivision for political subdivisions
6.20 located outside of a metropolitan county and within an eight-mile radius of the political
6.21 subdivision for political subdivisions located within a metropolitan county; and

6.22 (2) equally charge residents and nonresidents of the political subdivision imposing the
6.23 tax for the use of the facility, if members of the public are charged an admission or entry
6.24 fee for use of the facility.

6.25 (b) The political subdivision must submit documentation of the requirements of paragraph
6.26 (a) to the commissioner pursuant to the requirements of section 297A.9902, subdivision 1.

6.27 Subd. 5. **District courts; law enforcement centers; additional requirements.** (a) To
6.28 impose a tax to fund construction or rehabilitation of or improvements to a district court
6.29 office, a political subdivision must demonstrate the need for the facility by providing the
6.30 age of the facility and a description of improvements needed.

6.31 (b) To impose a tax to fund construction or rehabilitation of or improvements to a law
6.32 enforcement center, a political subdivision must provide resolutions from the governing
6.33 bodies of surrounding counties, statutory or home rule charter cities, or townships affirming
6.34 that the functions of the law enforcement center will meet the needs of the surrounding

7.1 county, statutory or home rule charter city, or township. The resolutions must be submitted
7.2 to the commissioner as part of the documentation filed under section 297A.9902, subdivision
7.3 1.

7.4 (c) The political subdivision must submit documentation of the requirements of
7.5 paragraphs (a) and (b) to the commissioner pursuant to the requirements of section
7.6 297A.9902, subdivision 1.

7.7 Subd. 6. **Parks and trails; additional requirements.** (a) To impose a tax to fund the
7.8 construction or rehabilitation of or improvements to a park, a political subdivision must
7.9 demonstrate that the park:

7.10 (1) provides a natural resource-based setting, outdoor recreation facilities, and multiple
7.11 activities that are primarily natural resource based;

7.12 (2) occupies at least 100 acres of land;

7.13 (3) is utilized by a regional population; and

7.14 (4) includes unique natural, historic, or cultural features or characteristics.

7.15 (b) To impose a tax to fund the construction or rehabilitation of or improvements to a
7.16 trail, a political subdivision must demonstrate that the trail:

7.17 (1) serves more than a local population and encompasses multiple jurisdictions; and

7.18 (2) connects to existing or planned state or regional parks or trails.

7.19 (c) The political subdivision must submit documentation of the requirements of
7.20 paragraphs (a) and (b) to the commissioner pursuant to the requirements of section
7.21 297A.9902, subdivision 1.

7.22 (d) In determining whether the proposed park or trail meets the criteria established in
7.23 paragraphs (a) and (b), the commissioner may consult examples and guidance contained in
7.24 the Department of Natural Resources Parks and Trails Legacy Plan dated February 14, 2011.

7.25 Subd. 7. **Tax rate and duration.** (a) The combined total tax rate imposed by a political
7.26 subdivision under this section and section 297A.99 must not exceed one-half of one percent.
7.27 If a local sales tax is imposed by a county, the limit under this paragraph excludes any tax
7.28 authorized under section 297A.993.

7.29 (b) The maximum collection period for a tax imposed under this section is the lesser of
7.30 the amount of time necessary to collect the revenue equal to the cost of the specified capital
7.31 projects approved by the voters, including associated financing costs, or 30 years.

8.1 Subd. 8. **Bonds; authorization.** (a) A political subdivision may issue bonds under
8.2 chapter 475 to finance all or a portion of the costs of a specified capital project. The aggregate
8.3 principal amount of bonds issued must not exceed the cost of a qualifying capital project
8.4 approved by the voters, plus an amount to be applied to the payment of the costs of issuing
8.5 the bonds, including interest. The bonds may be paid from or secured by any funds available
8.6 to the political subdivision, including the tax authorized under this section and approved
8.7 by the voters. The issuance of bonds under this subdivision is not subject to sections 275.60
8.8 and 275.61.

8.9 (b) A separate election to approve the bonds under section 475.58 is not required.

8.10 Subd. 9. **Public hearing required.** (a) Prior to seeking authority to impose a tax under
8.11 this section, a political subdivision must hold at least one public hearing that is open to
8.12 residents and nonresidents. The public hearing must allow equal time for proponents and
8.13 opponents to express their opinions on the imposition of the tax. The political subdivision
8.14 must provide at least 30 days' notice of the public hearing and must publish the notice on
8.15 the political subdivision's website. The notice must identify the time and location of the
8.16 hearing and contain the following information:

8.17 (1) the proposed tax rate;

8.18 (2) a description of each project proposed to be funded by the local sales tax; and

8.19 (3) the amount of tax revenue to be used for each project and the estimated time needed
8.20 to raise that amount of revenue, inclusive of the estimated amount distributed under
8.21 subdivision 17.

8.22 (b) The public must be allowed to speak at the hearing required under paragraph (a).
8.23 The hearing must not be held before 6:00 p.m. The political subdivision must provide a
8.24 website and a telephone number for the political subdivision that members of the public
8.25 may call with questions related to the notice and an address where comments will be received
8.26 by mail. The notice required under this subdivision does not require the printing of a personal
8.27 telephone number or mailing address as the contact information for a political subdivision.
8.28 If a political subdivision does not maintain a website or public offices where telephone calls
8.29 can be received by the political subdivision, the notice of the hearing required under
8.30 paragraph (a) must indicate that the political subdivision does not maintain a website or
8.31 public offices where telephone calls can be received by the political subdivision.

8.32 (c) The political subdivision must submit the minutes from this hearing to the
8.33 commissioner when requesting approval of the tax pursuant to the provisions of section
8.34 297A.9902, subdivision 1, paragraph (a).

9.1 Subd. 10. **Resolution required.** (a) After conducting the public hearing required under
9.2 subdivision 9 and before the governing body of a political subdivision seeks voter approval
9.3 to impose a local sales tax, the governing body must adopt a resolution indicating its approval
9.4 of the tax. The resolution must include:

9.5 (1) the proposed tax rate;

9.6 (2) a detailed description of no more than three projects that will be funded with revenue
9.7 from the tax;

9.8 (3) documentation of the regional significance of each specified capital project, including:

9.9 (i) the share of the economic benefit to or use of each project by persons residing, or
9.10 businesses located, outside of the jurisdiction; and

9.11 (ii) demonstration that the project meets the requirements of the applicable definitions
9.12 in subdivision 1, as well as the requirements of subdivisions 4 to 6;

9.13 (4) the amount of local sales tax revenue that will be used for each project and the
9.14 estimated time needed to raise that amount of revenue; and

9.15 (5) the total revenue that will be raised for all projects before the tax expires and the
9.16 estimated length of time that the tax will be in effect if all proposed projects are funded.

9.17 (b) The political subdivision must submit the resolution along with underlying
9.18 documentation to the commissioner pursuant to the provisions of section 297A.9902,
9.19 subdivision 1, paragraph (a).

9.20 Subd. 11. **Community support required.** Prior to seeking authority to impose a tax
9.21 under this section, a political subdivision must provide to the commissioner letters or
9.22 resolutions from the governing bodies of at least two surrounding local governments that
9.23 affirmatively acknowledge that there is a local or regional need for the proposed specified
9.24 capital project. Documentation must be submitted to the commissioner as required by section
9.25 297A.9902, subdivision 1, paragraph (a).

9.26 Subd. 12. **Voter approval required.** (a) A local sales tax approved by the commissioner
9.27 is subject to voter approval prior to being imposed. A referendum conducted under this
9.28 section must meet the following requirements:

9.29 (1) the referendum must be held on the first Tuesday after the first Monday in November
9.30 at a general or special election, so long as the ballot question for approval of the tax is not
9.31 the only item on the ballot, within the two-year period after the political subdivision has
9.32 received authority to impose the tax;

- 10.1 (2) the ballot language must contain the following information:
- 10.2 (i) a description of each specified capital project that will be funded by the tax;
- 10.3 (ii) the projected start date of the tax;
- 10.4 (iii) the proposed tax rate;
- 10.5 (iv) the cost of the project, including associated bonding costs;
- 10.6 (v) the maximum amount of time the tax will be imposed;
- 10.7 (vi) acknowledgment that the total project cost may increase by up to a certain percent
- 10.8 and the duration of imposition of the tax may increase by up to a number of years as the
- 10.9 allowance for inflation authorized under subdivision 18;
- 10.10 (vii) a statement that a portion of the tax revenue will be used for the political
- 10.11 subdivision's contributions according to the revenue sharing requirement in subdivision 17;
- 10.12 and
- 10.13 (viii) a statement that an affirmative vote means that a new tax will be imposed or that
- 10.14 an existing tax will be extended or increased;
- 10.15 (3) the ballot language must not contain any statement that informs the voter that by
- 10.16 voting "no" the voter acknowledges that the project subject to approval in the question may
- 10.17 be funded by increased property taxes; and
- 10.18 (4) each project must be a separate ballot question if a political subdivision is seeking
- 10.19 voter approval for more than one project.
- 10.20 (b) A project that is not approved by the voters may not be funded with the tax revenue
- 10.21 and the termination date of the tax approved by the commissioner must be reduced
- 10.22 proportionately based on the share of that project's cost to the total costs of all projects.
- 10.23 (c) A political subdivision may not advertise or expend money for the promotion of a
- 10.24 referendum to support imposing a tax and may only spend money related to:
- 10.25 (1) conducting the referendum;
- 10.26 (2) disseminating information regarding the projects to be funded with the tax;
- 10.27 (3) providing notice of and conducting public forums at which proponents and opponents
- 10.28 of the referendum are given equal time to express their opinions on the merits of the
- 10.29 referendum; and
- 10.30 (4) providing facts and data on the impact of the proposed local sales tax on consumer
- 10.31 purchases.

11.1 (d) The political subdivision must submit the language of each ballot question to the
11.2 commissioner for approval prior to printing the ballot for use in a referendum.

11.3 Subd. 13. **Legislative approval required.** (a) A political subdivision seeking to impose
11.4 a tax must obtain legislative approval to impose the tax if the tax does not meet the
11.5 requirements of this section or if the commissioner does not approve the proposal submitted
11.6 for imposition of the tax. The provisions of section 297A.99 apply to any tax imposed by
11.7 special law.

11.8 (b) In addition to the requirements imposed under section 297A.99, subdivision 2, the
11.9 political subdivision must include in its resolution submitted to the legislature:

11.10 (1) a detailed description of how the request does not meet the requirements of this
11.11 section; and

11.12 (2) letters or resolutions from the governing bodies of each local government located in
11.13 Minnesota that abuts the political subdivision that affirmatively acknowledge that there is
11.14 a local or regional need for the proposed capital project.

11.15 (c) A tax approved by the legislature is subject to the collection and retention provisions
11.16 of subdivision 17 and sections 297A.9902, subdivisions 2 and 3, and 297A.9903.

11.17 Subd. 14. **Filing and imposition requirements.** A political subdivision that receives
11.18 approval from the commissioner to impose a tax under this section must file a certificate
11.19 of local approval with the secretary of state within 60 days after receiving voter approval
11.20 for the tax to be lawfully imposed. If the tax is approved by the voters, the political
11.21 subdivision must impose the tax within 15 months of receiving voter approval. If the tax is
11.22 not imposed within 15 months, the authority to impose the tax under this section expires.

11.23 Subd. 15. **Administration; termination.** (a) A political subdivision imposing a tax
11.24 under this section must not commingle revenue from a tax for a project or projects approved
11.25 by the voters under this section with revenue from a tax authorized under section 297A.99
11.26 or any other law, ordinance, city charter, or other provision, including an extension of or
11.27 modification to the uses of a tax for a different project.

11.28 (b) A political subdivision imposing a tax under this section must notify the commissioner
11.29 at least 90 days before the date the political subdivision anticipates that revenues raised
11.30 from the tax are sufficient to fund the project or projects approved by the voters. The
11.31 notification applies to each authorization of a tax and each project approved by the voters,
11.32 regardless of whether the legislature has authorized the tax, notwithstanding the requirements
11.33 of section 297A.99, subdivision 3, paragraph (d).

12.1 (c) After a tax imposed under this section by a political subdivision has expired or been
12.2 terminated, the political subdivision is prohibited from imposing a new local sales tax for
12.3 a period of one year.

12.4 (d) If a tax is terminated because sufficient revenues have been raised, any amount of
12.5 tax collected after sufficient revenues have been raised and before the quarterly termination
12.6 required under section 297A.99, subdivision 12, paragraph (a), that is greater than the
12.7 average quarterly revenues collected over the immediately preceding 12 calendar months,
12.8 must be retained by the commissioner for deposit in the general fund.

12.9 (e) If, after receiving voter approval, a political subdivision cancels a project approved
12.10 by the voters, the political subdivision must notify the commissioner. The commissioner
12.11 must proportionately decrease the maximum amount of tax revenue the political subdivision
12.12 may collect and must adjust the termination of the tax accordingly. If the political subdivision
12.13 has already collected revenue for the canceled project, the political subdivision must return
12.14 the money to the commissioner to be added to the local sales tax equalization account for
12.15 the political subdivision's contribution share in accordance with subdivision 17 and section
12.16 297A.9903. The political subdivision must use any other source of revenue available to pay
12.17 any outstanding debt on the bonds that were issued for the canceled project.

12.18 Subd. 16. **Collection and retention.** The commissioner must remit the proceeds of the
12.19 tax, less refunds and a proportionate share described in clauses (1) and (2), at least quarterly,
12.20 to the political subdivision. The commissioner must deduct from the proceeds distributed
12.21 to a political subdivision an amount that equals:

12.22 (1) one percent for the direct and indirect costs of the department to administer, audit,
12.23 and collect the tax, of which a portion must be used for the cost of constructing and
12.24 maintaining a zip code or geocode database necessary for local sales tax collections under
12.25 the Streamlined Sales and Use Tax Agreement in section 297A.995 to be deposited into the
12.26 Revenue Department service and recovery special revenue fund established under section
12.27 270C.15; and

12.28 (2) the political subdivision's contribution share of the amount to be paid under
12.29 subdivision 17 and section 297A.9903 to be deposited into the local sales tax equalization
12.30 distribution account.

12.31 Subd. 17. **Revenue sharing required.** A political subdivision imposing a tax under this
12.32 section is subject to the revenue sharing requirements of section 297A.9903. The amount
12.33 of tax that the commissioner must retain under subdivision 16, clause (2), is equal to:

13.1 (1) 15 percent for a political subdivision whose tax is authorized and imposed under this
13.2 section;

13.3 (2) 15 percent for a political subdivision that amends, extends, or otherwise modifies a
13.4 tax that was authorized and imposed by special law before July 1, 2025; or

13.5 (3) 20 percent for a political subdivision that is authorized by special law to impose a
13.6 new tax after July 1, 2025.

13.7 Subd. 18. **Allowance for inflation.** (a) Before the expiration of the 15-month period
13.8 under subdivision 14, a political subdivision may increase the amount approved by the
13.9 voters to finance the specified capital project or increase the amount of time the tax may be
13.10 imposed as approved by the voters to collect revenues sufficient to fund the specified capital
13.11 project, or both.

13.12 (b) The total cost of the specified project as approved by the voters may be increased
13.13 by the greater of:

13.14 (1) ten percent; or

13.15 (2) ten percent plus the rate of change in inflation according to the Producer Price Index
13.16 for New Nonresidential Building Construction published by the Bureau of Labor Statistics
13.17 for the period beginning the month and calendar year in which the political subdivision
13.18 submits documentation to the commissioner under section 297A.9902, subdivision 1,
13.19 paragraph (a), and ending the month and calendar year in which the tax is approved by
13.20 voters under subdivision 12.

13.21 (c) A political subdivision exercising the options under paragraphs (a) and (b) must
13.22 adopt a resolution documenting the need for the increase in project cost or duration of
13.23 imposition of the tax, or both. The political subdivision must file the resolution with the
13.24 commissioner within ten days of adopting the resolution, but not after the 15-month period
13.25 under subdivision 14 has expired. A political subdivision may not extend the duration of
13.26 the tax beyond 30 years.

13.27 Subd. 19. **Account established.** The local sales tax equalization distribution account is
13.28 established in the special revenue fund. Money in the account must be distributed in
13.29 accordance with section 297A.9903.

13.30 Subd. 20. **Other provisions apply.** (a) The provisions of section 297A.99, subdivisions
13.31 4 to 10 and 12 to 13, apply to taxes authorized under this section.

13.32 (b) The requirements of section 475.53 apply to bonds issued for projects under this
13.33 section.

14.1 (c) All contracts for construction of specified capital projects under this section are
14.2 subject to the requirements and enforcement provisions of sections 177.27, 177.30, 177.32,
14.3 177.41 to 177.435, 177.44, and 177.45. For purposes of complying with section 177.30,
14.4 paragraph (a), clauses (6) and (7), and sections 177.41 to 177.435, the political subdivision
14.5 imposing the tax is the contracting authority and contracting agency and the project is
14.6 considered a public works project.

14.7 **EFFECTIVE DATE.** This section is effective the day following final enactment.

14.8 Sec. 5. **[297A.9902] LOCAL SALES TAXES; VERIFICATION AND OVERSIGHT.**

14.9 Subdivision 1. **Filing requirement.** (a) A political subdivision seeking to impose a local
14.10 sales tax under section 297A.9901 must file a copy of all documentation required under
14.11 section 297A.9901 with the commissioner. A political subdivision may file documentation
14.12 at any point during the year, but only documentation filed by October 31 is required to
14.13 receive a determination from the commissioner by January 10 of the following year.

14.14 (b) The commissioner must verify whether each project included in the submission under
14.15 paragraph (a) meets the requirements of section 297A.9901. The commissioner must notify
14.16 the political subdivision of the commissioner's determination within 60 days of receiving
14.17 the submission under paragraph (a). Any political subdivision that files its submission by
14.18 October 31 must receive the commissioner's determination by January 10 of the following
14.19 year. If the commissioner determines that a project does not meet the requirements of section
14.20 297A.9901, the political subdivision may seek legislative authorization for a local sales tax
14.21 to finance the project under the provisions of section 297A.99.

14.22 Subd. 2. **Annual financial reporting.** By January 31 of each odd-numbered year, a
14.23 political subdivision imposing a local sales tax pursuant to section 297A.99 or 297A.9901,
14.24 under special law, or by city charter or ordinance must submit information regarding the
14.25 uses of the local sales tax to the commissioner. The information must be submitted in the
14.26 form and manner prescribed by the commissioner. The commissioner or the commissioner's
14.27 designees may examine records of a political subdivision to complete or verify the provided
14.28 information.

14.29 Subd. 3. **Enforcement.** The commissioner must notify the governing body of the political
14.30 subdivision if the commissioner determines a political subdivision has not provided the
14.31 information required by subdivision 2; is not in compliance with the required use of proceeds
14.32 of the local sales tax as provided by section 297A.9901, subdivision 3, as approved by the
14.33 voters; or is not in compliance with any use of proceeds requirements as required by a
14.34 special law as approved by the voters. The governing body of the political subdivision must

15.1 respond in writing to the commissioner within 60 days after receiving the notification. The
 15.2 written response must state whether the political subdivision accepts in whole or in part the
 15.3 commissioner's findings. If the political subdivision does not accept the findings, the
 15.4 statement must indicate the basis for disagreement. If the political subdivision does not take
 15.5 corrective measures within 60 days of receipt of notice of noncompliance, the commissioner
 15.6 must expire the tax.

15.7 Subd. 4. **Report.** By February 15 each year, the commissioner must submit a report to
 15.8 the chairs and ranking minority members of the legislative committees with jurisdiction
 15.9 over taxes summarizing the information provided by political subdivisions in the preceding
 15.10 year under subdivision 2.

15.11 **EFFECTIVE DATE.** This section is effective the day following final enactment.

15.12 Sec. 6. **[297A.9903] LOCAL SALES TAX EQUALIZATION DISTRIBUTIONS.**

15.13 Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have
 15.14 the meanings given.

15.15 (b) "Adjusted net tax capacity" means the qualified recipient's adjusted net tax capacity
 15.16 under section 273.1325.

15.17 (c) "Average fiscal capacity" means the sum of the adjusted net tax capacities of all
 15.18 qualified recipients in a city sharing pool or county sharing pool, divided by the population
 15.19 of all cities in the city sharing pool or all counties in the county sharing pool.

15.20 (d) "City sharing pool" means all cities located within the same economic development
 15.21 region. For purposes of this section, when a city is located within more than one economic
 15.22 development region it is deemed to be located in the economic development region with
 15.23 the highest share of the city's adjusted net tax capacity.

15.24 (e) "Contribution share" means the percentage of the total local sales taxes that were
 15.25 retained pursuant to section 297A.9901, subdivision 17.

15.26 (f) "Contributor" means a political subdivision that:

15.27 (1) authorizes and imposes a local sales tax under section 297A.9901;

15.28 (2) amends, extends, or otherwise modifies a local sales tax that was authorized before
 15.29 July 1, 2025; or

15.30 (3) is authorized by special law to impose a new local sales tax after June 30, 2025.

16.1 (g) "County sharing pool" means all counties located within the same economic
16.2 development region.

16.3 (h) "Distribution index" means, for a qualified recipient, the product of: (1) its population;
16.4 and (2) the proportion that the average fiscal capacity in the preceding year bears to the
16.5 fiscal capacity of the qualified recipient for the preceding year.

16.6 (i) "Distribution share" for a qualified recipient means the product of:

16.7 (1) the contributor's contribution share available for distribution under subdivision 4 to
16.8 a city sharing pool or county sharing pool; and

16.9 (2) the proportion that the distribution index for the qualified recipient bears to the sum
16.10 of the distribution indices of all qualified recipients in the city sharing pool or county sharing
16.11 pool.

16.12 (j) "Economic development region" means the regions defined in section 462.385,
16.13 subdivision 1.

16.14 (k) "Fiscal capacity" of a qualified recipient means its adjusted net tax capacity divided
16.15 by its population.

16.16 (l) "Local sales tax" means:

16.17 (1) a local sales tax imposed under section 297A.9901; or

16.18 (2) a local sales tax imposed under section 297A.99 or special law that was enacted or
16.19 modified after June 30, 2025.

16.20 (m) "Political subdivision" means a political subdivision as defined in section 297A.9901,
16.21 subdivision 1.

16.22 (n) "Population" means the population estimated or established as of January 1 in the
16.23 year distributions under this section are calculated by the most recent federal census, by a
16.24 special census conducted under contract with the United States Bureau of the Census, or
16.25 by a population estimate of the state demographer made pursuant to section 4A.02, whichever
16.26 is the most recent.

16.27 (o) "Qualified recipient" means a political subdivision that:

16.28 (1) does not meet the definition of contributor;

16.29 (2) did not collect a local sales tax in the prior calendar year that was approved by voters
16.30 prior to July 1, 2025; and

16.31 (3) is:

17.1 (i) a city that is located in the same economic development region as a city included in
17.2 the definition of a contributor in the prior calendar year; or

17.3 (ii) a county that is located in the same economic development region as a county included
17.4 in the definition of a contributor in the prior calendar year.

17.5 Subd. 2. **Local sales tax revenue sharing required.** A political subdivision with a local
17.6 sales tax is subject to the contribution requirements under subdivision 3 for any calendar
17.7 year, or portion thereof, in which a local sales tax is collected. All qualified recipients are
17.8 eligible for distributions under this section, and the commissioner must annually calculate
17.9 each qualified recipient's distribution share.

17.10 Subd. 3. **Contribution share.** Pursuant to section 297A.9901, subdivision 17, the
17.11 commissioner must annually retain each political subdivision's contribution share. For any
17.12 calendar year in which a political subdivision does not collect a local sales tax, the political
17.13 subdivision's contribution share is \$0.

17.14 Subd. 4. **Final distribution.** The commissioner must divide each contributor's
17.15 contribution share among all qualified recipients in the contributor's city sharing pool or
17.16 county sharing pool according to each qualified recipient's distribution share. If a city sharing
17.17 pool or county sharing pool has no qualified recipients, then the contribution share for that
17.18 sharing pool must be divided among all other city sharing pools and county sharing pools,
17.19 in proportion to the contribution share available in each.

17.20 Subd. 5. **Certification and settlement.** The commissioner must annually calculate and
17.21 certify each contributor's contribution share and each qualified recipient's final distribution,
17.22 based on local sales taxes collected in the prior calendar year. The commissioner must
17.23 provide notice of the certification to each contributor and qualified recipient by January 31.
17.24 By March 15 annually, the commissioner must pay to each qualified recipient the distribution
17.25 share certified under this subdivision.

17.26 Subd. 6. **Appropriation.** The amount required to make distributions under this section
17.27 is appropriated from the local sales tax equalization distribution account established under
17.28 section 297A.9901, subdivision 19, to the commissioner.

17.29 Sec. 7. **REPEALER.**

17.30 Minnesota Statutes 2024, section 297A.99, subdivision 3a, is repealed.

17.31 **EFFECTIVE DATE.** This section is effective the day following final enactment.

297A.99 LOCAL SALES TAXES.

Subd. 3a. **Temporary moratorium.** (a) Notwithstanding subdivisions 1, 2, and 3, until after May 31, 2025, a political subdivision may not engage in any of the following activities in connection with imposing a new local sales and use tax or modifying an existing local sales and use tax:

- (1) any activity described in subdivision 1, paragraph (d);
- (2) adopt a resolution; or
- (3) seek voter approval.

(b) Paragraph (a) does not apply to new local sales and use taxes or modifications to existing local sales and use taxes authorized in May, 2023.

(c) This subdivision expires June 1, 2025.