

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 336 **DATE:** March 7, 2011
Version: As introduced
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Subject: Allow all cities to impose a local sales tax with an LGA offset
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Overview

Authorizes any city to impose a local sales tax if approved by voters at a general election. The tax rate is 1/2 of one percent for cities that currently have no local sales tax and 0.25 percent for cities that already impose a local sales tax under another law, until the other law expires. The tax revenues are deposited in the city's general fund and may be used for any city purpose. Any city imposing the tax will lose one half of its LGA payments during the time period when the tax is imposed. The amounts of the LGA reduction will not be distributed to other cities but will be a savings to the state general fund.

- 1 Authorization; scope.** Allows local sales taxes imposed under section 2 and makes them subject the general law governing the collection and administration of local sales taxes. Effective July 1, 2011.
- 2 City local sales and use tax.** Allows any city to impose a local sales tax to fund city expenditures. Effective July 1, 2011.
 - Subdivision 1. Authorization; rates.** Allows any city to impose a local sales tax if approved by the voters at a general election. The rate is 1/2 percent unless the city already imposes a local tax under another law, in which case the rate is 0.25 percent until the other tax expires. Subjects the tax to the existing collection and administration provisions for local sales taxes.
 - Subd. 2. Use of revenues.** Requires the revenues from the tax to be deposited in the city's general fund and used for any city purpose.
 - Subd. 3. Termination of tax.** A tax imposed under this section only expires if the city council terminates it by ordinance.
- 3 Aid offset for certain local sales and use taxes.** Provides that if a city imposes a local sales tax under section 2 it will lose 50 percent of its LGA in any year in which the tax is imposed. If the tax is first imposed after June 30 in a calendar year then its LGA reduction will be equal to 50 percent of its December LGA payment for that year. Requires that any reductions be retained by the state, and not redistributed under the LGA formula. Effective for aids payable in 2012 and thereafter.
- 4 New taxes prohibited.** Modifies the existing prohibition against local taxes on sales and income to

exempt the tax authorized under section 2, as well as those imposed under the transit and transportation sales tax laws authorized in 2008.