

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 649  
**Version:** As introduced

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**Authors:** Davids and Runbeck

**Subject:** Allows cities to impose a local sales tax for specific capital projects

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### Overview

Allows a city or a group of cities to impose a local sales tax of up to 1/2 of one percent if approved by the voters at a general election. The tax revenues may be used only for certain specified capital projects which must be specified in the authorizing referendum. A tax imposed under this provision must expire no later than 10 years after imposition.

- 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 after June 30, 2011.
- 2 General authority; certain cities.** Paragraph (a) provides that a city or a group of cities acting under a joint powers agreement may impose a local sales tax of up to one-half of one percent if approved by the voters in each city at a general election, and if all the existing provisions for adoption, use, and termination of local sales taxes are met. The authority is in addition to any authority granted under special law.

Paragraph (b) states that if a tax authorized under paragraph (a) is first imposed at less than 1/2 of one percent, the tax may be raised but only upon voter approval at another general election.

Paragraph (c) limits the use of the tax revenues to paying for the specific capital projects and associated bonds approved by the voters. The projects that may be funded with a tax under this authority are:

- Convention or civic center;
- Public libraries;
- Parks, trails, and recreation centers;
- Overpasses, arterial or collector roads, or bridges on, adjacent to, or connecting to a Minnesota state highway;
- Railroad overpasses or crossing safety improvements;

- Flood control or protection;
- Water quality projects to address groundwater and drinking water pollution problems;
- Court facilities;
- Fire, law enforcement, or public safety facilities; or
- Municipal buildings.

Paragraph (d) requires the city to provide a resolution to the commissioner of revenue at least three months before the general election. The resolution must show that the tax meets the requirements of paragraphs (a) to (c) and list the specific projects, the amount to be raised, and the maximum time the tax will be imposed. The commissioner decides if the requirements are met and the referendum may be held.

Paragraph (e) requires that the referendum question put to the voters include information on each specific project or projects, the amount that will be spent on each project, and the maximum time that the tax will be imposed. The maximum time may not exceed ten years. If the referendum is not held on the date specified in the resolution the authority to hold the referendum expires.

Paragraph (f) allows a city to issue bonds for the authorized projects based on approval of the tax at the referendum. Bonds issued under this provision are not subject to any debt or levy limits imposed on the city.

Paragraph (g) states that the tax terminates at the earlier of the time stated in the resolution or when tax revenues are sufficient to pay for the projects and any associated bonds, including bond costs. No tax may be imposed for more than 10 years. A city may only impose one tax under this authority at a time. A city may terminate a tax early if it desires.