

Subject Cities and counties authorized to impose local sales taxes for certain projects

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Overview

This bill provides the authority for counties and cities to impose local sales taxes to fund certain capital projects, including libraries, parks, sports complexes, and trails. A city or county seeking to impose a local sales tax under this authority must receive approval from the state auditor, as well as voter approval.

This bill also establishes local sales tax equalization distribution payments in which qualifying cities and counties receive a portion of local sales tax collections that are retained by the commissioner of revenue.

Lastly, this bill provides for oversight of the local sales tax approval process and subsequent auditing by the Office of the State Auditor.

Summary

Section	Description
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1	Authorization.
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	Modifies the current section of law that governs local sales taxes to include the local sales tax authorized under section 4 of this bill. Clarifies that the provisions of section 297A.99 apply to any local tax that was imposed and enacted prior to July 1, 2024.
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	Effective the day following final enactment.
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2	Scope.
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	Clarifies that a local sales tax imposed under special law is subject to the provisions in section 297A.99. Requires that a political subdivision that amends, modifies, or otherwise changes a tax it is currently imposing will be subject to the provisions of the new local sales tax authorization under section 4 of this bill.
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	Effective the day following final enactment.
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3 Legislative authority required before voter approval; requirements for adoption, termination, and use.

Requires that, beginning on January 1, 2025, any political subdivision that has a local sales tax subject to section 297A.99 comply with the reporting requirements established under section 5 of the bill. The requested information must be sent to the state auditor.

Requires that once a tax imposed under special law or by city charter expires, the political subdivision is subject to the tax rate limitation of one percent that is required under 297A.9901, subdivision 5 if the political subdivision decides to impose a new tax.

Requires that if a political subdivision cancels a project after it has been approved by voters, the political subdivision must notify the commissioner and the commissioner must proportionately decrease the maximum amount of revenue the political subdivision may collect as well as the duration of the imposition of the tax. If revenue has already been collected for a cancelled project, the political subdivision must return the funds to the commissioner for deposit into the local sales tax equalization distribution account created under section 4 of this bill.

Effective the day following final enactment.

4 Local sales taxes; local authorization allowed.

Subd. 1. Definitions. This subdivision provides the relevant definitions for the local sales tax authorizations. It contains a definition of “specified capital project” that may be funded using a local sales tax. A “specified capital project” means a convention center, library, park, sports complex, or trail. It must serve a regional population, provide economic development benefits and opportunities, or draw nonresident individuals to the region.

This subdivision also defines “political subdivision” as a county or statutory or home rule charter city located in Minnesota.

Subd. 2. Local authorization allowed. Provides that a political subdivision may impose, extend, or modify a local sales tax to finance a specified capital project by meeting the requirements of this section, receiving approval of the state auditor, and receiving voter approval.

Subd. 3. Use of proceeds. Requires the proceeds of a tax imposed under this section to be used only to fund the cost of construction or rehabilitation of specified capital projects approved by the voters. Prohibits a political subdivision from comingling funds derived from a tax imposed under this section with funds derived from other local taxes.

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Subd. 4. Specified capital projects; additional requirements. Provides additional requirements on taxes imposed to fund sports complexes or convention centers. Requires that the political subdivision demonstrate that there is no similar facility in the surrounding region of 15 miles for a nonmetro political subdivision or within eight miles for a metro political subdivision.

Also requires that entry fees into the facility be charged the same to residents of the political subdivision and nonresidents.

Requires the political subdivision to submit documentation that it meets these requirements to the state auditor.

Subd. 5. Tax rate and duration. Restricts the maximum tax rate that can be imposed by a political subdivision to a combined rate of one percent. This includes taxes imposed under this section, as well as any imposed under special law. For counties, this limit includes county transportation taxes.

The maximum number of years a tax may be imposed is 30 years.

Subd. 6. Bonds. Allows a political subdivision imposing a tax under this section to issue bonds to pay the cost of a specified capital project approved by the voters. The amount of bonds is limited to the cost of the project, plus associated financing costs.

A separate election to issue the bonds is not required.

Subd. 7. Public hearing required. Requires a political subdivision seeking to impose a tax to hold a public hearing prior to adopting a resolution approving the tax. The hearing must be open to residents and nonresidents with equal time given to proponents and opponents to express their opinions. Notice of the hearing must be placed on the political subdivision's website at least 14 days prior to the hearing. Requires the notice to contain the proposed tax rate, a description of each project, the amount of tax to be collected, and the estimated amount of time needed to raise the required revenue.

Requires the minutes of the hearing be sent to the state auditor for approval of the tax.

Subd. 8. Resolution required. Requires that after the public hearing, the governing body of the political subdivision adopt a resolution indicating its approval of the tax. Requires the resolution be submitted to the state auditor for approval of the tax.

Subd. 9. Community support required. Requires the political subdivision to provide the state auditor with letters or resolutions from the governing bodies of

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the surrounding jurisdictions indicating their support of the tax and acknowledgement that the projects to be funded by the tax serve a local or regional need.

Subd. 10. Voter approval required. Requires that a tax approved by the state auditor must be presented to the voters for approval during a general or special election occurring on the first Tuesday after the first Monday in November. The tax may only be on the ballot at a special election if it's not the only item on the ballot.

Requires that the ballot question contains certain information and prohibits the ballot language from indicating that a "no" vote may result in an increase in property taxes. Requires the political subdivision to send sample ballot language to the state auditor for approval.

Subd. 11. Legislative approval required. Provides that if a political subdivision seeks to impose a tax that does not meet the requirements of this section, or if the state auditor does not approve a tax, then the political subdivision must receive legislative approval to impose the tax. Requires the political subdivision to provide the legislature with its adopted resolution, a description of why the request does not meet the requirements of this section, and letters or resolutions from the governing bodies of each local government that abuts the political subdivision indicating their support for the tax.

Provides that a tax approved by the legislature is subject to the requirements of section 297A.99, as well as the collection and retention provisions of this section.

Subd. 12. Filing requirements. Requires the governing bodies of a political subdivision imposing a tax under this section or special law to file a certificate of approval with the secretary of state.

Subd. 13. Administration; termination. Requires that a political subdivision notify the commissioner of revenue at least 60 days prior to the anticipated date in which sufficient revenues are raised. Prohibits a political subdivision from imposing a new tax for at least one year after a current tax expires.

Requires that if a political subdivision cancels a project after it has been approved by voters, the political subdivision must notify the commissioner and the commissioner must proportionately decrease the maximum amount of revenue the political subdivision may collect as well as the duration of the imposition of the tax. If revenue has already been collected for a cancelled project, the political subdivision must return the funds to the commissioner for deposit into the local sales tax equalization distribution account created under section 4 of this bill.

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Subd. 14. Collection and retention. Requires the commissioner to quarterly remit the proceeds of a tax it collects back to the political subdivision. Requires the commissioner to deduct from the proceeds:

- one percent for the Department of Revenue’s administrative costs, including the cost of maintaining a zip code database;
- one percent for the state auditor’s administrative costs; and
- 15 percent for the political subdivision’s contribution share of the local sales tax equalization distribution.

Requires the commissioner to deposit the withheld funds in the appropriate accounts.

Subd. 15. Accounts established; transfer. Establishes the following accounts in the special revenue fund: the local sales tax equalization distribution account; and the state auditor service and recovery account.

Requires funds in the state auditor service and recovery account to be transferred to the general fund each October 1 and requires funds in the local sales tax equalization distribution account to be used in accordance with section 6 of this bill.

Subd. 16. Other provisions apply. Requires other provisions of law apply to the taxes imposed under this section including the administrative and functional provisions of section 297A.99, the prevailing wage rate under section 177.42, subdivision 6, and the bond requirements of section 475.53.

Effective the day following final enactment.

5 **Local sales taxes; oversight.**

Subd. 1. Filing requirement. Requires that a political subdivision seeking to impose a tax file the necessary documentation as required by section 4 of this bill to the state auditor and commissioner of revenue by October 31.

The state auditor must verify that the political subdivision’s proposal meets the statutory requirements by January 10. If the state auditor denies the political subdivision’s request, the political subdivision may seek legislative approval in accordance with section 297A.99.

Subd. 2. Annual financial reporting. Requires a political subdivision imposing a tax under section 297A.9901, or by special law to submit information regarding the use of tax revenue to the state auditor by January 31 of each budget year. The state auditor will determine the form and manner of the reporting

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document. Allows the state auditor to examine records to verify the information provided.

Effective the day following final enactment.

6 **Local sales tax equalization distributions.**

Subd. 1. Definitions. Provides the relevant definitions for the local sales tax equalization distributions. Importantly, this subdivision defines a “qualified recipient” as a political subdivision that imposed a local sales tax in the previous calendar year that contributes to the account, or did not impose a local sales tax in the previous calendar year.

Subd. 2. Local sales tax revenue sharing required. Requires a political subdivision imposing a tax to contribute 15 percent of the annual proceeds of the tax. Requires the commissioner to annually calculate each qualified recipient’s distribution share.

Subd. 3. Contribution share. States that each political subdivision’s contribution share is the 15 percent of its tax withheld by the commissioner.

Subd. 4. Certification. Requires the commissioner to annually calculate and certify by January 31, each political subdivision’s contribution share and each qualified recipient’s distribution share based on local sales tax collected in the prior calendar year.

Subd. 5. Settlement. Requires the commissioner to pay each qualified recipient by March 15 of each year.

Subd. 6. Future contributions and payments. Provides that a political subdivision that has imposed a tax prior to July 1, 2024, can become a qualified recipient by:

- modifying, increasing, or extending its current local tax;
- imposing a new local tax under section 297A.9901, or by special law; or
- expiring its current local tax.

Subd. 7. Appropriation. Annually appropriates the funds in the local sales tax equalization distribution account to the commissioner to make payments under this section.

7 **Office of the State Auditor; appropriation.**

Provides a onetime appropriation to the state auditor to implement section 297A.9902. Provides that the funds are available for use through June 30, 2027.

Section	Description
8	<p data-bbox="316 262 446 294">Repealer.</p> <p data-bbox="316 304 1429 378">Repeals the temporary moratorium that prohibits new local sales taxes or modifications to existing local sales taxes until July 1, 2025.</p> <p data-bbox="316 409 876 453">Effective the day following final enactment.</p>



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