

## Local Sales Taxes in Minnesota

***What sales taxes can local governments impose?***

All cities are allowed under statute to impose a local lodging tax of up to 3 percent to fund tourism promotion in the community.

Local governments must get special legislation authorizing any other local sales tax. In the past special legislation has allowed certain cities to impose a general sales tax of up to 1 percent, to impose a food and beverage tax, and to impose additional lodging taxes to fund programs other than tourism promotion.

***Who currently has a general local sales tax?***

Eleven cities and one county now impose a general sales tax. With the exception of Minneapolis and St. Paul, all the local governments imposing a general local sales tax are located in Greater Minnesota.

The cities of Hermantown, Mankato, Minneapolis, New Ulm, Proctor, Rochester, St. Paul, Two Harbors, and Winona impose a 0.5 percent general sales tax.

The city of Duluth and Cook County impose a 1 percent general sales tax.

In 2002, special legislation authorized a 0.5 percent tax in the cities of Sartell, St. Cloud, St. Augusta, Sauk Rapids, St. Joseph, and Waite Park beginning January 1, 2003, upon voter approval. It was approved in the first four cities listed.

***What can the revenue be used for?***

The special legislation authorizing the local sales tax usually states what may be funded from the sales tax revenues. For most cities, the money must be used to fund a specific capital project or list of projects. The city of Duluth is the only local government that may use its general sales tax revenue for general operating purposes.

***What steps are required to impose a local sales tax?***

As stated earlier, special legislation authorizing a local sales tax is required prior to imposition. For a general sales tax, a local government is required by law to first pass a resolution explaining what the revenues will be used for and how long the tax will be imposed before seeking special legislation. The law also requires that a general tax be approved at a local referendum prior to imposition.

**For more information:** Contact legislative analyst Pat Dalton. Also see the House Research publication *Local Sales Taxes in Minnesota*, December 2000. Statutes pertaining to this area are Minnesota Statutes, section 469.190 (lodging tax), and Minnesota Statutes, section 297A.99 (general sales tax).

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