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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. 2612

03/20/2019 Authored by Loeffler, Marquart, Hertaus and Drazkowski
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; sales and use; amending the requirements for imposition and
1.3 use of local sales and use taxes; amending Minnesota Statutes 2018, section
1.4 297A.99, subdivisions 1, 2, 3, by adding a subdivision.

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

1.6 Section 1. Minnesota Statutes 2018, section 297A.99, subdivision 1, is amended to read:

1.7 Subdivision 1. **Authorization; scope.** (a) A political subdivision of this state may impose
1.8 a general sales tax (1) under section 297A.992, (2) under section 297A.993, (3) if permitted
1.9 by special law, or (4) if the political subdivision enacted and imposed the tax before January
1.10 1, 1982, and its predecessor provision.

1.11 (b) This section governs the imposition of a general sales tax by the political subdivision.
1.12 The provisions of this section preempt the provisions of any special law:

1.13 (1) enacted before June 2, 1997, or

1.14 (2) enacted on or after June 2, 1997, that does not explicitly exempt the special law
1.15 provision from this section's rules by reference.

1.16 (c) This section does not apply to or preempt a sales tax on motor vehicles or a special
1.17 excise tax on motor vehicles.

1.18 (d) A political subdivision may not advertise or expend funds for the promotion of a
1.19 referendum to support imposing a local option sales tax; and may only spend funds related
1.20 to imposing a local sales tax to:

1.21 ~~(e) Notwithstanding paragraph (d), a political subdivision may expend funds to:~~

2.1 (1) conduct the referendum;

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

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

2.8 (4) provide facts and data on the impact of the proposed sales tax on consumer purchases;
 2.9 and

2.10 (5) provide facts and data related to the individual programs and projects to be funded
 2.11 with the sales tax.

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

2.13 Sec. 2. Minnesota Statutes 2018, section 297A.99, is amended by adding a subdivision to
 2.14 read:

2.15 Subd. 1a. **Purpose statement.** Local sales taxes are to be used instead of traditional
 2.16 local revenues only for construction and rehabilitation of capital projects when a clear
 2.17 regional benefit beyond the taxing jurisdiction can be demonstrated. Use of local sales tax
 2.18 revenues for local projects decreases the benefits to taxpayers of the deductibility of local
 2.19 property taxes and the state assistance provided through the property tax refund system and
 2.20 increases the fiscal inequities between similar communities.

2.21 Sec. 3. Minnesota Statutes 2018, section 297A.99, subdivision 2, is amended to read:

2.22 Subd. 2. **Local resolution before application for authority.** (a) Before the governing
 2.23 body of a political subdivision requests legislative approval ~~of~~ to impose a local sales tax
 2.24 authorized by a special law for a local sales tax that is administered under this section, it
 2.25 shall adopt a resolution indicating its approval of the tax. The resolution must include, at a
 2.26 minimum, the following information ~~on~~:

2.27 (1) the proposed tax rate, ~~how the revenues will be used,~~²

2.28 (2) a detailed description of no more than five capital projects that will be funded with
 2.29 revenue from the tax;

2.30 (3) documentation of the share of the economic benefit to or use of each project by
 2.31 persons residing, or businesses located, outside of the jurisdiction;

3.1 (4) the amount of sales tax revenue that would be used for each project and the estimated
 3.2 time needed to raise that amount of revenue; and

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

3.5 ~~This subdivision applies to local laws enacted after June 30, 1998.~~ (b) The jurisdiction
 3.6 seeking authority to impose a local sales tax by special law must submit the resolution in
 3.7 paragraph (a) along with underlying documentation indicating how the benefits under
 3.8 paragraph (a), clause (3), were determined, to the chairs of both the senate and house
 3.9 committees with jurisdiction over taxes no later than January 31 of the year in which the
 3.10 jurisdiction is seeking a special law authorizing the tax.

3.11 (c) The special legislation granting sales tax authority is not required to allow funding
 3.12 for all projects listed in the resolution with the revenue from the sales tax, but must not
 3.13 include any projects not contained in the resolution.

3.14 **EFFECTIVE DATE.** This section is effective the day following final enactment and
 3.15 applies to all local sales taxes not authorized by the legislature before July 1, 2019.

3.16 Sec. 4. Minnesota Statutes 2018, section 297A.99, subdivision 3, is amended to read:

3.17 Subd. 3. **Legislative authority required before voter approval; requirements for**
 3.18 **adoption, use, termination.** (a) A political subdivision must receive legislative authority
 3.19 to impose a local sales tax before submitting the tax for approval by voters of the political
 3.20 subdivision. Imposition of a local sales tax is subject to approval by voters of the political
 3.21 subdivision at a general election. The election must be conducted before at a general election
 3.22 within the two-year period after the governing body of the political subdivision requests
 3.23 legislative approval of has received authority to impose the tax. If the authorizing legislation
 3.24 allows the tax to be imposed for more than one project, there must be a separate question
 3.25 approving the use of the tax revenue for each project. Notwithstanding the authorizing
 3.26 legislation, a project that is not approved by the voters may not be funded with the sales tax
 3.27 revenue and the termination date of the tax set in the authorizing legislation must be reduced
 3.28 proportionately based on the share of that project's cost to the total costs of all projects
 3.29 included in the authorizing legislation.

3.30 (b) The proceeds of the tax must be dedicated exclusively to payment of the cost of a
 3.31 construction and rehabilitation costs and associated bonding costs related to the specific
 3.32 capital improvement which is designated at least 90 days before the referendum on imposition
 3.33 of the tax is conducted projects that were approved by the voters under paragraph (a).

4.1 (c) The tax must terminate after ~~the improvement designated under paragraph (b) has~~
4.2 ~~been completed~~ the revenues raised are sufficient to fund the projects approved by the voters
4.3 under paragraph (a).

4.4 (d) After a sales tax imposed by a political subdivision has expired or been terminated,
4.5 the political subdivision is prohibited from imposing a local sales tax for a period of one
4.6 year. ~~Notwithstanding subdivision 13, this paragraph applies to all local sales taxes in effect~~
4.7 ~~at the time of or imposed after May 26, 1999.~~

4.8 (e) Notwithstanding paragraph (a), if a city received voter approval to seek authority for
4.9 a local sales tax at the November 6, 2018, general election and is granted authority to impose
4.10 a local sales tax before January 1, 2021, the tax may be imposed without an additional
4.11 referendum provided that it meets the requirements of subdivision 2 and the list of specific
4.12 projects contained in the resolution does not conflict with the projects listed in the approving
4.13 referendum.

4.14 **EFFECTIVE DATE.** This section is effective the day following final enactment and
4.15 applies to all local sales taxes not authorized by the legislature before July 1, 2019.