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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. 2663

05/12/2017 Authored by Hamilton
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; allowing cities to impose a local sales tax if
1.3 certain criteria are met; amending Minnesota Statutes 2016, sections 297A.99,
1.4 subdivisions 1, 3; 477A.016; proposing coding for new law in Minnesota Statutes,
1.5 chapter 297A.

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

1.7 Section 1. Minnesota Statutes 2016, section 297A.99, subdivision 1, is amended to read:

1.8 Subdivision 1. **Authorization; scope.** (a) A political subdivision of this state may impose
1.9 a general sales tax:

1.10 (1) under section 297A.992₂;

1.11 (2) under section 297A.993₂;

1.12 (3) under section 297A.9935;

1.13 (4) if permitted by special law₂; or

1.14 ~~(4)~~ (5) if the political subdivision enacted and imposed the tax before January 1, 1982,
1.15 and its predecessor provision.

1.16 (b) This section governs the imposition of a general sales tax by the political subdivision.

1.17 The provisions of this section preempt the provisions of any special law:

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

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

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

2.3 (d) A political subdivision may not advertise or expend funds for the promotion of a
2.4 referendum to support imposing a local option sales tax.

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

2.6 (1) conduct the referendum;

2.7 (2) disseminate information included in the resolution adopted under subdivision 2;

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

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

2.13 (5) provide facts and data related to the programs and projects to be funded with the
2.14 sales tax.

2.15 **EFFECTIVE DATE.** This section is effective July 1, 2017.

2.16 Sec. 2. Minnesota Statutes 2016, section 297A.99, subdivision 3, is amended to read:

2.17 Subd. 3. **Requirements for adoption, use, termination.** (a) Imposition of a local sales
2.18 tax is subject to approval by voters of the political subdivision at a general election. If the
2.19 local sales tax does not meet the requirements for imposition under section 297A.9935, the
2.20 election must be conducted before the governing body of the political subdivision requests
2.21 legislative approval of the tax.

2.22 (b) The proceeds of the tax must be dedicated exclusively to payment of the cost of a
2.23 specific capital improvement which is designated at least 90 days before the referendum on
2.24 imposition of the tax is conducted.

2.25 (c) The tax must terminate after the improvement designated under paragraph (b) has
2.26 been completed.

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

2.31 **EFFECTIVE DATE.** This section is effective July 1, 2017.

3.1 **Sec. 3. [297A.9935] SALES AND USE TAX; GENERAL AUTHORITY FOR CITIES.**

3.2 Subdivision 1. **Authorization; rates.** A city, or a group of cities acting under a joint
3.3 powers agreement, may impose a local sales and use tax of up to one-half of one percent
3.4 without authorization under a special law provided that all the conditions for adoption, use,
3.5 and termination of the tax contained in this section and section 297A.99, subdivisions 4 to
3.6 12a, are met. A city may not impose a tax under this section while it imposes a local sales
3.7 tax under a special law. If a city or group of cities imposes a tax under this section at a rate
3.8 less than one-half of one percent, the city or cities may increase the rate up to a rate of
3.9 one-half of one percent without authorization under a special law provided that all of the
3.10 conditions of this section and section 297A.99, subdivisions 3 to 12, are met.

3.11 Subd. 2. **Allowed uses of revenue.** The proceeds of a tax imposed under this section
3.12 must be dedicated exclusively to pay for specific capital projects approved by the voters in
3.13 the authorizing referendum. No proceeds may be used for normal maintenance or operating
3.14 costs of a facility or properties owned by a city or group of cities. The proceeds may be
3.15 used to pay for collecting and administering the tax; to pay all or part of the capital costs
3.16 of the development, acquisition, construction, expansion, and improvement; and to secure
3.17 and pay debt service on bonds or other obligations issued to finance capital costs of a regional
3.18 project, including the following:

3.19 (1) convention or civic center;

3.20 (2) public libraries;

3.21 (3) parks, trails, and recreational centers;

3.22 (4) overpasses, arterial and collector roads, and bridges, on, adjacent to, or connecting
3.23 to a Minnesota state highway;

3.24 (5) flood control and protection;

3.25 (6) water quality projects to address groundwater and drinking water pollution problems;

3.26 (7) court facilities;

3.27 (8) fire, law enforcement, and public safety facilities; and

3.28 (9) municipal buildings.

3.29 Subd. 3. **Referendum required.** (a) A city or group of cities may not impose a tax under
3.30 this section unless approved by the voters of each city at a general election.

3.31 (b) At least three months prior to holding a referendum to impose the tax, a city must
3.32 provide to the commissioner of revenue a resolution approved by the city that shows that

4.1 the specific project or projects to be funded by the tax meet the requirements of subdivision
 4.2 2; the date on which the referendum will be held; the maximum amount to be raised by the
 4.3 tax that may be used for each of the specified projects, excluding issuance and interest costs
 4.4 for any related bonds; and the maximum time that the tax may be imposed. The commissioner
 4.5 shall certify that the requirements under this section are met and the city shall provide any
 4.6 additional information on the commissioner's requests in order to make that determination.
 4.7 The commissioner's decision is final.

4.8 (c) The question put to the voters at the referendum authorizing the vote must include
 4.9 information on the specific project or projects to be funded by the proceeds of the tax; the
 4.10 maximum amount of sales tax revenues that will be used to fund each project, not including
 4.11 any issuance and interest costs for related bonds; and the maximum length of time that the
 4.12 tax will be imposed, which must not exceed 20 years from the date the initial tax was imposed
 4.13 without regard to an increase in the rate. If the referendum is not held on the date contained
 4.14 in the resolution or the next following Tuesday, if allowed under section 205.105, the
 4.15 authority for imposing the tax expires.

4.16 Subd. 4. **Bonding authority.** A city may issue general obligation bonds to pay the costs
 4.17 of projects specified in the referendum authorizing imposition of the tax. The approval of
 4.18 the question under subdivision 3 meets the requirement for elector approval for issuance of
 4.19 bonds under section 475.58, subdivision 1. The debt represented by the bonds must not be
 4.20 included in computing any debt limitations applicable to the city. The levy of taxes required
 4.21 by section 475.61 to pay the principal or any interest on the bonds must not be subject to
 4.22 any levy limitations or be included in computing or applying any levy limitation to the city.

4.23 Subd. 5. **Expiration; new authorization.** The tax, if enacted, expires at the earlier of
 4.24 when (1) the specified revenue has been raised, or (2) the maximum time in which the tax
 4.25 is in effect under the resolution required in subdivision 2 is reached. Any tax imposed under
 4.26 this section must expire no later than 20 years after imposition from the date the initial tax
 4.27 was imposed without regard to an increase in the rate allowed under subdivision 1. The
 4.28 governing board of the city may, by ordinance, terminate the tax at an earlier date. A city
 4.29 must not impose a new local option sales and use tax under this section while a previously
 4.30 authorized one is still imposed.

4.31 **EFFECTIVE DATE.** This section is effective July 1, 2017.

4.32 Sec. 4. Minnesota Statutes 2016, section 477A.016, is amended to read:

4.33 **477A.016 NEW TAXES PROHIBITED.**

- 5.1 No county, city, town or other taxing authority shall increase a present tax or impose a
- 5.2 new tax on sales or income. No county, city, town, or other taxing authority shall increase
- 5.3 a present tax or impose a new tax on sales except as authorized in chapter 297A.
- 5.4 **EFFECTIVE DATE.** This section is effective July 1, 2017.