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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 621

02/01/2021 Authored by Davids, Urdahl and Robbins
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; modifying authority to impose local sales and use taxes;
1.3 requiring an election before seeking legislative authority; removing the requirement
1.4 to submit a local resolution; amending Minnesota Statutes 2020, section 297A.99,
1.5 subdivisions 1, 1a, 3; repealing Minnesota Statutes 2020, section 297A.99,
1.6 subdivision 2.

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

1.8 Section 1. Minnesota Statutes 2020, section 297A.99, subdivision 1, is amended to read:

1.9 Subdivision 1. Authorization; scope. (a) A political subdivision of this state may impose
1.10 a general sales tax (1) under section 297A.992, (2) under section 297A.993, (3) if permitted
1.11 by special law, or (4) if the political subdivision enacted and imposed the tax before January
1.12 1, 1982, and its predecessor provision.

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

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

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

1.18 (c) This section does not apply to or preempt a sales tax on motor vehicles. Beginning
1.19 July 1, 2019, no political subdivision may impose a special excise tax on motor vehicles
1.20 unless it is imposed under section 297A.993.

1.21 (d) A political subdivision may not advertise or expend funds for the promotion of a
1.22 referendum to support imposing a local sales tax and may only spend funds related to
1.23 imposing a local sales tax to:

2.1 (1) conduct the referendum;

2.2 (2) disseminate information included in the resolution adopted under subdivision ~~2~~ 1a,  
2.3 but only if the disseminated information includes a list of specific projects and the cost of  
2.4 each 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 local sales tax on consumer  
2.9 purchases; and

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

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

2.13 Sec. 2. Minnesota Statutes 2020, section 297A.99, subdivision 1a, is amended to read:

2.14 Subd. 1a. **Requirements.** Local sales taxes are to be used instead of traditional local  
2.15 revenues only for construction and rehabilitation of capital projects when a clear regional  
2.16 benefit beyond the taxing jurisdiction can be demonstrated. Use of local sales tax revenues  
2.17 for local projects decreases the benefits to taxpayers of the deductibility of local property  
2.18 taxes and the state assistance provided through the property tax refund system and increases  
2.19 the fiscal inequities between similar communities. Prior to submitting a local sales tax for  
2.20 approval by voters under subdivision 3, a political subdivision must adopt a resolution that  
2.21 includes a description of the capital projects that will be funded with revenue from the tax  
2.22 and provide documentation of the regional significance of each project, including the share  
2.23 of the economic benefit to or use of each project by persons residing, or businesses located,  
2.24 outside of the jurisdiction.

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

2.26 Sec. 3. Minnesota Statutes 2020, section 297A.99, subdivision 3, is amended to read:

2.27 Subd. 3. ~~Legislative authority required before voter approval~~ Local election required  
2.28 before seeking legislative authority; requirements for adoption, use, termination. (a)  
2.29 A political subdivision must ~~receive legislative authority to impose a local sales tax before~~  
2.30 ~~submitting the~~ submit a local sales tax for approval by voters of the political subdivision  
2.31 before seeking legislative authority to impose the tax. Imposition of a local sales tax is  
2.32 subject to approval by voters of the political subdivision at a general election. ~~The election~~

3.1 ~~must be conducted at a general election within the two-year period after the governing body~~  
 3.2 ~~of the political subdivision has received authority to impose the tax.~~ If the authorizing  
 3.3 ~~legislation allows~~ political subdivision intends for the tax to be imposed for more than one  
 3.4 project, there must be a separate question approving the use of the tax revenue for each  
 3.5 project. A political subdivision must not propose to fund more than five capital projects  
 3.6 with a local sales tax. The ballot question must identify: (1) the proposed tax rate; (2) the  
 3.7 amount of local sales tax revenue that would be used for each project and the estimated  
 3.8 time needed to raise that amount of revenue; and (3) the total revenue that will be raised  
 3.9 for all projects before the tax expires, and the estimated length of time that the tax will be  
 3.10 in effect if all proposed projects are funded. Notwithstanding the subsequent authorizing  
 3.11 legislation, a project that is not approved by the voters may not be funded with the local  
 3.12 sales tax revenue ~~and the termination date of the tax set in the authorizing legislation must~~  
 3.13 ~~be reduced proportionately based on the share of that project's cost to the total costs of all~~  
 3.14 ~~projects included in the authorizing legislation.~~

3.15 (b) The proceeds of the tax must be dedicated exclusively to payment of the construction  
 3.16 and rehabilitation costs and associated bonding costs related to the specific capital  
 3.17 improvement projects that were approved by the voters under paragraph (a).

3.18 (c) The tax must terminate after the revenues raised are sufficient to fund the projects  
 3.19 approved by the voters under paragraph (a).

3.20 (d) After a sales tax imposed by a political subdivision has expired or been terminated,  
 3.21 the political subdivision is prohibited from imposing a local sales tax for a period of one  
 3.22 year.

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

3.29 ~~(f)~~ (e) If a tax is terminated because sufficient revenues have been raised, any amount  
 3.30 of tax collected under subdivision 9, after sufficient revenues have been raised and before  
 3.31 the quarterly termination required under subdivision 12, paragraph (a), that is greater than  
 3.32 the average quarterly revenues collected over the immediately preceding 12 calendar months  
 3.33 must be retained by the commissioner for deposit in the general fund.

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

4.1 Sec. 4. **REPEALER.**

4.2 Minnesota Statutes 2020, section 297A.99, subdivision 2, is repealed.

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

**297A.99 LOCAL SALES TAXES.**

Subd. 2. **Local resolution before application for authority.** (a) Before the governing body of a political subdivision requests legislative approval to impose a local sales tax authorized by a special law, it shall adopt a resolution indicating its approval of the tax. The resolution must include the following information:

- (1) the proposed tax rate;
- (2) a detailed description of no more than five capital projects that will be funded with revenue from the tax;
- (3) documentation of the regional significance of each project, including the share of the economic benefit to or use of each project by persons residing, or businesses located, outside of the jurisdiction;
- (4) the amount of local sales tax revenue that would be used for each project and the estimated time needed to raise that amount of revenue; and
- (5) the total revenue that will be raised for all projects before the tax expires, and the estimated length of time that the tax will be in effect if all proposed projects are funded.

(b) The jurisdiction seeking authority to impose a local sales tax by special law must submit the resolution in paragraph (a) along with underlying documentation indicating how the benefits under paragraph (a), clause (3), were determined, to the chairs and ranking minority members of the legislative committees with jurisdiction over taxes no later than January 31 of the year in which the jurisdiction is seeking a special law authorizing the tax.

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