

A bill for an act

relating to local sales taxes; allowing cities to impose a local sales tax if certain criteria are met; amending Minnesota Statutes 2010, section 297A.99, subdivision 1, by adding a subdivision.

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

Section 1. Minnesota Statutes 2010, section 297A.99, subdivision 1, is amended to read:

Subdivision 1. **Authorization; scope.** (a) A political subdivision of this state may impose a general sales tax (1) under section 297A.992, (2) under section 297A.993, (3) if permitted by special law enacted prior to May 20, 2008, or (4) if the political subdivision enacted and imposed the tax before January 1, 1982, and its predecessor provision, or if the tax is allowed under subdivision 1a.

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

(1) enacted before June 2, 1997, or

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

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

(d) Until after May 31, 2010, a political subdivision may not advertise, promote, expend funds, or hold a referendum to support imposing a local option sales tax unless it is for extension of an existing tax or the tax was authorized by a special law enacted prior to May 20, 2008.

EFFECTIVE DATE. This section is effective for local sales taxes for which the authorizing referendum is held after June 30, 2011.

Sec. 2. Minnesota Statutes 2010, section 297A.99, is amended by adding a subdivision to read:

Subd. 1a. General authority; certain cities. (a) A city, or a group of cities acting under a joint powers agreement, may impose a local sales and use tax of up to one-half of one percent without authorization under a special law provided that:

(1) imposition of the tax is approved by the voters of each city at a general election pursuant to subdivision 3, paragraph (a); and

(2) all the conditions for adoption, use, and termination of the tax contained in this subdivision and subdivisions 3 to 12 are met.

The authority under this section is in addition to any local sales tax authority permitted under special law.

(b) If a city imposes a tax under paragraph (a) at a rate less than one-half of one percent, the city may increase the rate upon approval of the voters at a general election up to a rate of one-half of one percent without authorization under a special law provided that all of the conditions of this subdivision are met.

(c) The proceeds of a tax imposed under this subdivision must be dedicated exclusively to pay for specific capital projects approved by the voters in the authorizing referendum. No proceeds may be used for normal maintenance or operating costs of a facility or properties owned by a city or group of cities. The proceeds may be used to pay for collecting and administering the tax, to pay all or part of the capital costs of the development, acquisition, construction, expansion, and improvement, and to secure and pay debt service on bonds or other obligations issued to finance capital costs of a regional project, including the following:

(1) convention or civic center;

(2) public libraries;

(3) parks, trails, and recreational centers;

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

(5) railroad overpasses or crossing safety improvements;

(6) flood control and protection;

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

(8) court facilities;

(9) fire, law enforcement, or public safety facilities; or

(10) municipal buildings.

(d) At least three months prior to holding a referendum to impose the tax, a city must provide to the commissioner of revenue a resolution approved by the city that shows that the tax will fund a project that meets the requirements of paragraphs (a) to (c), the date on which the referendum will be held, the maximum amount raised by the tax that may be used for the specified project, excluding issuance and interest costs for any related bonds, and the maximum time that the tax may be imposed. The commissioner shall certify that the requirements under this subdivision are met and the city shall provide any additional information on the commissioner's requests in order to make that determination. The commissioner's decision is final.

(e) The question put to the voters at the referendum authorizing the vote must include information on the specific project or projects to be funded by the proceeds of the tax, the maximum amount of sales tax revenues that will be used to fund each project, not including any issuance and interest costs for related bonds, and the maximum length of time that the tax will be imposed, which must not exceed ten years from the date the initial tax was imposed without regard to an increase in the rate. If the referendum is not held on the date contained in the resolution, the authority for imposing the tax expires.

(f) A city may issue general obligation bonds to pay the costs of projects specified in the referendum authorizing imposition of the tax. The approval of the question under paragraph (e) meets the requirement for elector approval for issuance of bonds under section 475.58, subdivision 1. The debt represented by the bonds must not be included in computing any debt limitations applicable to the city, and the levy of taxes required by section 475.61 to pay the principal or any interest on the bonds must not be subject to any levy limitations or be included in computing or applying any levy limitation to the city.

(g) The tax, if enacted, expires when the specified revenue has been raised or the maximum time in which the tax is in effect under the resolution is reached, whichever is sooner. Any tax imposed under this subdivision must expire no later than ten years after imposition from the date the initial tax was imposed without regard to an increase in the rate. The governing board of the city may, by ordinance, terminate the tax at an earlier date. A city must not impose a new local option sales and use tax until a previously authorized one has been terminated.

EFFECTIVE DATE. This section is effective for local sales taxes for which the authorizing referendum is held after June 30, 2011.