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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. **311**

01/17/2017 Authored by Olson; Schultz; Murphy, M., and Davids
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; clarifying the authority for the city of Duluth to use proceeds
1.3 from sales taxes on food and beverages and the local lodging tax; amending Laws
1.4 1980, chapter 511, sections 1, subdivision 2, as amended; 2, as amended.

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

1.6 Section 1. Laws 1980, chapter 511, section 1, subdivision 2, as amended by Laws 1991,
1.7 chapter 291, article 8, section 22, Laws 1998, chapter 389, article 8, section 25, Laws 2003,
1.8 First Special Session chapter 21, article 8, section 11, Laws 2008, chapter 154, article 5,
1.9 section 2, and Laws 2014, chapter 308, article 3, section 21, is amended to read:

1.10 Subd. 2. (a) Notwithstanding Minnesota Statutes, section 477A.016, or any other law,
1.11 ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance,
1.12 impose an additional sales tax of up to one and three-quarter percent on sales transactions
1.13 which are described in Minnesota Statutes 2000, section 297A.01, subdivision 3, clause (c).
1.14 The imposition of this tax shall not be subject to voter referendum under either state law or
1.15 city charter provisions. When the city council determines that the taxes imposed under this
1.16 paragraph at a rate of three-quarters of one percent and other sources of revenue produce
1.17 revenue sufficient to pay debt service on bonds in the principal amount of \$40,285,000 plus
1.18 issuance and discount costs, issued for capital improvements at the Duluth Entertainment
1.19 and Convention Center, which include a new arena, the rate of tax under this subdivision
1.20 must be reduced by three-quarters of one percent.

1.21 (b) In addition to the tax in paragraph (a) and notwithstanding Minnesota Statutes, section
1.22 477A.016, or any other law, ordinance, or city charter provision to the contrary, the city of
1.23 Duluth may, by ordinance, impose an additional sales tax of up to one-half of one percent
1.24 on sales transactions which are described in Minnesota Statutes 2000, section 297A.01,

2.1 subdivision 3, clause (c). This tax expires when the city council determines that the tax
 2.2 imposed under this paragraph, along with the tax imposed under section 22, paragraph (b),
 2.3 has produced revenues sufficient to pay the debt service on bonds in a principal amount of
 2.4 no more than \$18,000,000, plus issuance and discount costs, to finance capital improvements
 2.5 to public facilities to support tourism and recreational activities in that portion of the city
 2.6 west of ~~34th~~ 14th Avenue West and the area south of and including Skyline Parkway.

2.7 (c) The city of Duluth may sell and issue up to \$18,000,000 in general obligation bonds
 2.8 under Minnesota Statutes, chapter 475, plus an additional amount to pay for the costs of
 2.9 issuance and any premiums. The proceeds may be used to finance capital improvements to
 2.10 public facilities that support tourism and recreational activities in the portion of the city
 2.11 west of ~~34th~~ 14th Avenue West and the area south of and including Skyline Parkway, as
 2.12 described in paragraph (b). The issuance of the bonds is subject to the provisions of
 2.13 Minnesota Statutes, chapter 475, except no election shall be required unless required by the
 2.14 city charter. The bonds shall not be included in computing net debt. The revenues from the
 2.15 taxes that the city of Duluth may impose under paragraph (b) and under section 22, paragraph
 2.16 (b), may be pledged to pay principal of and interest on such bonds.

2.17 **EFFECTIVE DATE.** This section is effective the day after the governing body of the
 2.18 city of Duluth and its chief clerical officer comply with Minnesota Statutes, section 645.021,
 2.19 subdivisions 2 and 3.

2.20 Sec. 2. Laws 1980, chapter 511, section 2, as amended by Laws 1998, chapter 389, article
 2.21 8, section 26, Laws 2003, First Special Session chapter 21, article 8, section 12, and Laws
 2.22 2014, chapter 308, article 3, section 22, is amended to read:

2.23 **Sec. 22. CITY OF DULUTH; TAX ON RECEIPTS BY HOTELS AND MOTELS.**

2.24 (a) Notwithstanding Minnesota Statutes, section 477A.016, or any other law, or ordinance,
 2.25 or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an
 2.26 additional tax of one percent upon the gross receipts from the sale of lodging for periods of
 2.27 less than 30 days in hotels and motels located in the city. The tax shall be collected in the
 2.28 same manner as the tax set forth in the Duluth city charter, section 54(d), paragraph one.
 2.29 The imposition of this tax shall not be subject to voter referendum under either state law or
 2.30 city charter provisions.

2.31 (b) In addition to the tax in paragraph (a) and notwithstanding Minnesota Statutes, section
 2.32 477A.016, or any other law, ordinance, or city charter provision to the contrary, the city of
 2.33 Duluth may, by ordinance, impose an additional sales tax of up to one-half of one percent
 2.34 on the gross receipts from the sale of lodging for periods of less than 30 days in hotels and

3.1 motels located in the city. This tax expires when the city council first determines that the
3.2 tax imposed under this paragraph, along with the tax imposed under section 21, paragraph
3.3 (b), has produced revenues sufficient to pay the debt service on bonds in a principal amount
3.4 of no more than \$18,000,000, plus issuance and discount costs, to finance capital
3.5 improvements to public facilities to support tourism and recreational activities in that portion
3.6 of the city west of ~~34th~~ 14th Avenue West and the area south of and including Skyline
3.7 Parkway.

3.8 **EFFECTIVE DATE.** This section is effective the day after the governing body of the
3.9 city of Duluth and its chief clerical officer comply with Minnesota Statutes, section 645.021,
3.10 subdivisions 2 and 3.