

**SENATE
STATE OF MINNESOTA
NINETY-THIRD SESSION**

S.F. No. 3180

(SENATE AUTHORS: PUTNAM)

DATE
03/30/2023

D-PG
2025

Introduction and first reading
Referred to Taxes
See HF2887

OFFICIAL STATUS

1.1 A bill for an act

relating to taxation; local sales and use; allowing cities to impose a local sales tax if certain criteria are met; amending Minnesota Statutes 2022, sections 297A.99, subdivisions 1, 3; 477A.016; proposing coding for new law in Minnesota Statutes, chapter 297A.

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

1.7 Section 1. Minnesota Statutes 2022, 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.992;;

1.11 (2) under section 297A.993;;

1.12 (3) under section 297A.9935;

1.13 (4) if permitted by special law;; 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 authorized under special law. The provisions of this section preempt the provisions of any
1.18 special law:

1.19 (1) enacted before June 2, 1997; or

1.20 (2) enacted on or after June 2, 1997, that does not explicitly exempt the special law
1.21 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. Beginning
2.2 July 1, 2019, no political subdivision may impose a special excise tax on motor vehicles
2.3 unless it is imposed under section 297A.993.

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

2.7 (1) conduct the referendum;

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

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

2.14 (4) provide facts and data on the impact of the proposed local sales tax on consumer
2.15 purchases; and

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

2.18 **EFFECTIVE DATE.** This section is effective July 1, 2023.

2.19 Sec. 2. Minnesota Statutes 2022, section 297A.99, subdivision 3, is amended to read:

2.20 **Subd. 3. Legislative authority required before voter approval; requirements for**
2.21 **adoption, use, termination.** (a) If the local sales tax does not meet the requirements for
2.22 imposition under section 297A.9935, a political subdivision must receive legislative authority
2.23 to impose a local sales tax before submitting the tax for approval by voters of the political
2.24 subdivision. Imposition of a local sales tax is subject to approval by voters of the political
2.25 subdivision at a general election. The election must be conducted at a general election within
2.26 the two-year period after the governing body of the political subdivision has received
2.27 authority to impose the tax. If the authorizing legislation allows the tax to be imposed for
2.28 more than one project, there must be a separate question approving the use of the tax revenue
2.29 for each project. Notwithstanding the authorizing legislation, a project that is not approved
2.30 by the voters may not be funded with the local sales tax revenue and the termination date
2.31 of the tax set in the authorizing legislation must be reduced proportionately based on the
2.32 share of that project's cost to the total costs of all projects included in the authorizing
2.33 legislation.

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

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

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

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

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

3.20 **EFFECTIVE DATE.** This section is effective July 1, 2023.

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

3.22 Subdivision 1. Authorization; rates. (a) A city, or a group of cities acting under a joint
3.23 powers agreement, may impose a local sales and use tax of up to one-half of one percent
3.24 without authorization under a special law provided that all the conditions for adoption, use,
3.25 and termination of the tax contained in this section and section 297A.99, subdivisions 4 to
3.26 12a, are met. A city may not impose a tax under this section while it imposes a local sales
3.27 tax under a special law.

3.28 (b) If a city or group of cities imposes a tax under this section at a rate less than one-half
3.29 of one percent, the city or cities may increase the rate up to a rate of one-half of one percent
3.30 without authorization under a special law provided that all of the conditions of this section
3.31 and section 297A.99, subdivisions 1, paragraph (d), and 4 to 12a, are met.

3.32 Subd. 2. Allowed use of revenue. (a) The proceeds of a tax imposed under this section
3.33 must be dedicated exclusively to pay for specific capital projects approved by the voters in

4.1 the authorizing referendum. No proceeds may be used for normal maintenance or operating
4.2 costs of a facility or properties owned by a city or group of cities. The proceeds may be
4.3 used to pay for all or part of the capital costs of the development, acquisition, construction,
4.4 expansion, and improvement. The proceeds may also be used to secure and pay debt service
4.5 on bonds or other obligations issued to finance the capital costs of a regional project.

4.6 (b) Allowed capital projects include:

- 4.7 (1) a single building or structure, including associated infrastructure needed to safely
4.8 access or use the building or structure;
- 4.9 (2) improvements within a single park or named recreation area; or
- 4.10 (3) a contiguous trail.

4.11 Subd. 3. **Resolution required.** (a) At least three months prior to holding a referendum
4.12 to impose the tax, a city must provide to the commissioner of revenue a resolution approved
4.13 by the city's governing board that shows the following:

- 4.14 (1) the specific project or projects to be funded by the tax meet the requirements of
4.15 subdivision 2;
- 4.16 (2) the date on which the referendum will be held;
- 4.17 (3) the maximum amount to be raised by the tax that may be used for each of the specified
4.18 projects, excluding issuance and interest costs for any related bonds; and
- 4.19 (4) the maximum time that the tax may be imposed.

4.20 (b) The commissioner shall certify that the requirements under this section are met, and
4.21 the city shall provide any additional information on the commissioner's requests in order
4.22 to make that determination. The commissioner's decision is final.

4.23 Subd. 4. **Referendum required.** (a) A city or group of cities may not impose a tax under
4.24 this section unless approved by the voters of each city at an election held on the first Tuesday
4.25 after the first Monday in November.

- 4.26 (b) The question put to the voters at the referendum authorizing the vote must include
4.27 the following information:
- 4.28 (1) information on the specific project or projects to be funded by the proceeds of the
4.29 tax;
- 4.30 (2) the maximum amount of sales tax revenues that will be used to fund each project,
4.31 not including any issuance and interest costs for related bonds; and

5.1 (3) the maximum length of time that the tax will be imposed, which must not exceed 20
5.2 years from the date the initial tax was imposed without regard to an increase in the rate.

5.3 (c) If the approved resolution authorizes the city or group of cities to impose a tax for
5.4 more than one project, then there must be a separate question approving the use of the tax
5.5 revenue for each project. A project that is not approved by the voters must not be funded
5.6 with the local sales tax revenue and the termination date of the tax and the maximum amount
5.7 to be raised by the tax set in the approved resolution must be adjusted proportionately based
5.8 on the share of that project's cost to the total costs of all projects included in the approved
5.9 resolution.

5.10 (d) If the referendum is not held on the date contained in the resolution or the next
5.11 following Tuesday, if allowed under section 205.105, the authority for imposing the tax
5.12 expires.

5.13 **Subd. 5. Bonding authority.** A city may issue general obligation bonds to pay the costs
5.14 of projects specified in the referendum authorizing imposition of the tax. The approval of
5.15 the question under subdivision 3 meets the requirement for elector approval for issuance of
5.16 bonds under section 475.58, subdivision 1. The debt represented by the bonds is not included
5.17 in computing any debt limitations applicable to the city. The levy of taxes required by section
5.18 475.61 to pay the principal or any interest on the bonds is not subject to any levy limitations
5.19 and is not included in computing or applying any levy limitation to the city.

5.20 **Subd. 6. Expiration; new authorization.** (a) A tax imposed under this section expires
5.21 at the earlier of when (1) the specified revenue has been raised, or (2) the maximum time
5.22 in which the tax is in effect under the resolution required in subdivision 2 is reached. Any
5.23 tax imposed under this section expires no later than 20 years after the date the initial tax
5.24 was imposed without regard to an increase in the rate allowed under subdivision 1. The
5.25 governing board of the city may, by ordinance, terminate the tax at an earlier date.

5.26 (b) A city must not impose a new local sales and use tax under this section while a
5.27 previously authorized tax under this section is still imposed.

5.28 (c) If a tax is terminated because sufficient revenues have been raised, any amount of
5.29 tax collected by the commissioner pursuant to section 297A.99, subdivision 9, after sufficient
5.30 revenues have been raised and before the quarterly termination required under section
5.31 297A.99, subdivision 12, paragraph (a), that is greater than the average quarterly revenues
5.32 collected over the immediately preceding 12 calendar months must be retained by the
5.33 commissioner for deposit in the general fund.

5.34 **EFFECTIVE DATE.** This section is effective July 1, 2023.

6.1 Sec. 4. Minnesota Statutes 2022, section 477A.016, is amended to read:

6.2 **477A.016 NEW TAXES PROHIBITED.**

6.3 No county, city, town or other taxing authority shall increase a present tax or impose a
6.4 new tax on sales or income. No county, city, town, or other taxing authority shall increase
6.5 a present tax or impose a new tax on sales except as authorized in chapter 297A.

6.6 **EFFECTIVE DATE.** This section is effective July 1, 2023.