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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 4325

02/26/2024 Authored by West, Huot, Norris and Hanson, J., 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 the cannabis gross receipts tax and local government
1.3 cannabis aid; reducing the cannabis gross receipts tax rate; reallocating local
1.4 government cannabis aid to general purpose local government aid; authorizing
1.5 local sales and use taxes on cannabis sales; repealing local government cannabis
1.6 aid; amending Minnesota Statutes 2023 Supplement, sections 295.81, subdivisions
1.7 2, 10; 295.82; repealing Minnesota Statutes 2023 Supplement, section 477A.32.

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

1.9 Section 1. Minnesota Statutes 2023 Supplement, section 295.81, subdivision 2, is amended
1.10 to read:

1.11 Subd. 2. Gross receipts tax imposed. (a) A tax equal to ten eight percent of gross
1.12 receipts from retail sales in Minnesota of taxable cannabis products is imposed on any
1.13 taxable cannabis product retailer that sells these products to customers. A taxable cannabis
1.14 product retailer may but is not required to collect the tax imposed by this section from the
1.15 purchaser as long as the tax is separately stated on the receipt, invoice, bill of sale, or similar
1.16 document given to the purchaser.

1.17 (b) If a product subject to the tax imposed under this section is included in a bundled
1.18 transaction, the entire sales price of the bundled transaction is subject to the tax imposed
1.19 under this section.

1.20 (c) The tax imposed under this section is in addition to any other tax imposed on the
1.21 sale or use of taxable cannabis products.

1.22 EFFECTIVE DATE. This section is effective for gross receipts received after July 1,
1.23 2024.

2.1 Sec. 2. Minnesota Statutes 2023 Supplement, section 295.81, subdivision 10, is amended
2.2 to read:

2.3 Subd. 10. **Deposit of revenues; account established.** (a) For taxes remitted between
2.4 July 1, 2023, and June 30, 2025, the commissioner must deposit the revenues, including
2.5 penalties and interest, derived from the tax imposed by this section as follows:

2.6 (1) 80 percent to the general fund; and

2.7 (2) 20 percent to the local government cannabis aid account in the special revenue fund.

2.8 (b) For taxes remitted on July 1, 2025, and thereafter, the commissioner must deposit
2.9 the revenues, including penalties and interest, derived from the tax imposed by this section
2.10 into the general fund.

2.11 (c) The local government cannabis aid account is established in the special revenue fund.
2.12 The account expires on July 15, 2025.

2.13 **EFFECTIVE DATE.** This section is effective for taxes paid after June 30, 2024.

2.14 Sec. 3. Minnesota Statutes 2023 Supplement, section 295.82, is amended to read:

2.15 **295.82 CANNABIS LOCAL TAX ~~PROHIBITED~~ AUTHORIZED.**

2.16 (a) A ~~political subdivision of this state is prohibited from imposing~~ statutory or home
2.17 rule charter city that has one or more cannabis businesses licensed under chapter 342 may,
2.18 by ordinance, impose a local sales and use tax ~~solely~~ of up to two percent on the sale of
2.19 taxable cannabis products as defined under section 295.81, subdivision 1, paragraph (r).
2.20 The tax applies to sales taxable under section 295.81 that occur within the political
2.21 subdivision.

2.22 (b) The tax may be imposed only if the amount to be received by the city is necessary
2.23 to cover the costs incurred by the city to regulate the sale of cannabis. A city may not use
2.24 money collected under this section for any purpose other than to regulate cannabis sales. A
2.25 city may use money collected under this section for reimbursement to another city or county
2.26 for enforcement necessary to regulate cannabis sales. The commissioner may require a city
2.27 that imposes a tax under this section to file a report in a form prescribed by the commissioner
2.28 showing the use of the proceeds of the tax.

2.29 (c) The provisions of section 297A.99, subdivisions 6 to 12a, govern the administration,
2.30 collection, and enforcement of a tax imposed under this section.

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

3.1 Sec. 4. **TEMPORARY INCREASE TO LOCAL GOVERNMENT AID; CANNABIS**
3.2 **GROSS RECEIPTS TAX REVENUES.**

3.3 (a) By July 15, 2025, the commissioner of management and budget must certify to the
3.4 commissioner of revenue the balance of the local government cannabis aid account in the
3.5 special revenue fund. The commissioner must include the amount certified in the total
3.6 amount of aid available to cities and counties under Minnesota Statutes, section 477A.03,
3.7 for aids payable in 2026 only. For aid to cities, 50 percent of the amount certified under this
3.8 paragraph must be added to the appropriation under Minnesota Statutes, section 477A.03,
3.9 subdivision 2a. For aid to counties, 22 percent of the amount certified under this paragraph
3.10 must be added to the appropriation under Minnesota Statutes, section 477A.03, subdivision
3.11 2b, paragraph (a), and 28 percent of the amount certified under this paragraph must be added
3.12 to the appropriation under Minnesota Statutes, section 477A.03, subdivision 2b, paragraph
3.13 (b).

3.14 (b) By July 15, 2025, the commissioner of management and budget must transfer the
3.15 amount certified under paragraph (a) to the general fund for aid to cities and counties under
3.16 Minnesota Statutes, section 477A.03, for aids payable in 2026 only.

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

3.18 Sec. 5. **REPEALER.**

3.19 Minnesota Statutes 2023 Supplement, section 477A.32, is repealed.

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

477A.32 LOCAL GOVERNMENT CANNABIS AID.

Subdivision 1. **Definitions.** For purposes of this section, the following terms have the meanings given:

- (1) "city" means a statutory or home rule charter city; and
- (2) "director" means the director of the Office of Cannabis Management under section 342.02.

Subd. 2. **Certification to commissioner of revenue.** (a) By July 15, 2024, and annually thereafter, the commissioner of management and budget must certify to the commissioner of revenue the balance of the local government cannabis aid account in the special revenue fund as of the immediately preceding June 30.

(b) By June 1, 2024, and annually thereafter, the director must certify to the commissioner of revenue the number of cannabis businesses, as defined under section 342.01, subdivision 14, licensed under chapter 342 as of the previous January 1, disaggregated by county and city.

Subd. 3. **Aid to counties.** (a) Beginning for aid payable in 2024, the amount available for aid to counties under this subdivision equals 50 percent of the amount certified in that year to the commissioner under subdivision 2, paragraph (a).

(b) Twenty percent of the amount under paragraph (a) must be distributed equally among all counties.

(c) Eighty percent of the amount under paragraph (a) must be distributed proportionally to each county according to the number of cannabis businesses located in the county as compared to the number of cannabis businesses in all counties as of the most recent certification under subdivision 2, paragraph (b).

Subd. 4. **Aid to cities.** (a) Beginning for aid payable in 2024, the amount available for aid to cities under this subdivision equals 50 percent of the amount certified in that year to the commissioner under subdivision 2, paragraph (a).

(b) The amount under paragraph (a) must be distributed proportionally to each city according to the number of cannabis businesses located in the city as compared to the number of cannabis businesses in all cities as of the most recent certification under subdivision 2, paragraph (b).

Subd. 5. **Payment.** The commissioner of revenue must compute the amount of aid payable to each county and city under this section. On or before September 1 of each year, the commissioner must certify the amount to be paid to each county and city in that year. The commissioner must pay the full amount of the aid on December 26 annually.

Subd. 6. **Appropriation.** Beginning in fiscal year 2025 and annually thereafter, the amount in the local government cannabis aid account in the special revenue fund is annually appropriated to the commissioner of revenue to make the aid payments required under this section.