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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 5070

03/20/2024 Authored by Anderson, P. E.; West; Perryman; Garofalo; Engen and others
The bill was read for the first time and referred to the Committee on Transportation Finance and Policy

1.1 A bill for an act
1.2 relating to taxation; local taxes and fees; repealing the regional transportation sales
1.3 and use tax; repealing the metropolitan region sales and use tax; repealing local
1.4 affordable housing aid; repealing the retail delivery fee; providing for use of
1.5 amounts in repealed accounts; making technical changes; amending Minnesota
1.6 Statutes 2023 Supplement, sections 174.49, subdivision 2; 270C.15; 297A.99,
1.7 subdivision 1; Laws 2023, chapter 37, article 1, section 2, subdivision 30; repealing
1.8 Minnesota Statutes 2023 Supplement, sections 168E.01; 168E.03; 168E.05;
1.9 168E.07; 168E.09; 297A.9915; 297A.9925; 462A.05, subdivision 42; 462A.2095;
1.10 473.4051, subdivision 2; 473.4465; 477A.35; 477A.37.

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

1.12 Section 1. Minnesota Statutes 2023 Supplement, section 174.49, subdivision 2, is amended
1.13 to read:

1.14 Subd. 2. **Transportation advancement account.** A transportation advancement account
1.15 is established in the special revenue fund. The account consists of funds under ~~sections~~
1.16 ~~168E.09, subdivision 2, and section~~ 297A.94, and as provided by law and any other money
1.17 donated, allotted, transferred, or otherwise provided to the account.

1.18 **EFFECTIVE DATE.** This section is effective July 1, 2024.

1.19 Sec. 2. Minnesota Statutes 2023 Supplement, section 270C.15, is amended to read:

1.20 **270C.15 REVENUE DEPARTMENT SERVICE AND RECOVERY SPECIAL**
1.21 **REVENUE FUND.**

1.22 A Revenue Department service and recovery special revenue fund is created for the
1.23 purpose of recovering the costs of furnishing government data and related services or
1.24 products, as well as recovering costs associated with collecting local taxes on sales ~~and the~~

2.1 ~~retail delivery fee established under chapter 168E.~~ All money collected under this section  
 2.2 is deposited in the Revenue Department service and recovery special revenue fund. Money  
 2.3 in the fund is appropriated to the commissioner to reimburse the department for the costs  
 2.4 incurred in administering the tax law or providing the data, service, or product. Any money  
 2.5 paid to the department as a criminal fine for a violation of state revenue law that is designated  
 2.6 by the court to fund enforcement of state revenue law is appropriated to this fund.

2.7 **EFFECTIVE DATE.** This section is effective July 1, 2024.

2.8 Sec. 3. Minnesota Statutes 2023 Supplement, section 297A.99, subdivision 1, is amended  
 2.9 to read:

2.10 Subdivision 1. **Authorization; scope.** (a) A political subdivision of this state may impose  
 2.11 a general sales tax (1) ~~under section 297A.9915,~~ (2) under section 297A.992, (3) ~~under~~  
 2.12 ~~section 297A.9925,~~ (4) (2) under section 297A.993, (5) (3) if permitted by special law, or  
 2.13 (6) (4) if the political subdivision enacted and imposed the tax before January 1, 1982, and  
 2.14 its predecessor provision.

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

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

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

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

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

2.26 (1) conduct the referendum;

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

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

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

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

3.5 **EFFECTIVE DATE.** This section is effective July 1, 2024.

3.6 Sec. 4. Laws 2023, chapter 37, article 1, section 2, subdivision 30, is amended to read:

3.7 Subd. 30. **Rent Assistance Program** 46,000,000 -0-

3.8 ~~(a)~~ This appropriation is for the rent assistance  
 3.9 program under Minnesota Statutes, section  
 3.10 462A.2095. This is a onetime appropriation.

3.11 ~~(b) The base for this program in fiscal year~~  
 3.12 ~~2026 and beyond is \$23,000,000.~~

3.13 **EFFECTIVE DATE.** This section is effective July 1, 2024.

3.14 Sec. 5. **REPEAL OF METROPOLITAN AREA SALES AND USE TAXES; USE**  
 3.15 **OF MONEY IN REPEALED ACCOUNTS.**

3.16 Subdivision 1. **Regional transportation sales and use tax repeal.** Any revenues  
 3.17 collected from the tax imposed under Minnesota Statutes, section 297A.9915, that are  
 3.18 collected by the Metropolitan Council or metropolitan counties before July 1, 2024, must  
 3.19 be used in accordance with Minnesota Statutes, sections 174.49, subdivision 5, and 473.4465.

3.20 Subd. 2. **Metropolitan region sales and use tax repeal.** Any revenues collected from  
 3.21 the tax imposed under Minnesota Statutes, section 297A.9925, that are allocated to the rental  
 3.22 assistance housing program before July 1, 2024, must be used in accordance with Minnesota  
 3.23 Statutes, section 462A.2095.

3.24 Subd. 3. **Local affordable housing aid repeal.** For aids payable under Minnesota  
 3.25 Statutes, section 477A.35, in 2024, the commissioner of revenue must calculate the amount  
 3.26 of aid based on the amount of money available in the housing assistance fund under  
 3.27 Minnesota Statutes, section 477A.37, as of July 1, 2024. Aids must be calculated and  
 3.28 distributed in accordance with Minnesota Statutes, section 477A.35.

3.29 Subd. 4. **Cancellation.** Money in the accounts in subdivisions 1 to 3 not spent by July  
 3.30 1, 2024, cancels to the general fund.

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

4.1 Sec. 6. **REPEAL OF THE RENT ASSISTANCE PROGRAM; USE OF MONEY IN**  
4.2 **REPEALED ACCOUNT.**

4.3 (a) Any amounts remaining in the state rent assistance account before July 1, 2024, must  
4.4 be allocated and distributed in accordance with Minnesota Statutes, section 462A.2095.

4.5 (b) Money in the account not allocated and distributed by July 1, 2024, cancels to the  
4.6 general fund.

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

4.8 Sec. 7. **REPEALER.**

4.9 (a) Minnesota Statutes 2023 Supplement, sections 168E.01; 168E.03; 168E.05; 168E.07;  
4.10 168E.09; 297A.9915; 297A.9925; 462A.05, subdivision 42; 462A.2095; 473.4051,  
4.11 subdivision 2; 473.4465; and 477A.37, are repealed effective July 1, 2024.

4.12 (b) Minnesota Statutes 2023 Supplement, section 477A.35, is repealed effective January  
4.13 1, 2025.

**168E.01 DEFINITIONS.**

Subdivision 1. **Scope.** As used in this chapter, the following terms have the meanings given.

Subd. 2. **Accessories and supplies.** "Accessories and supplies" has the meaning given in section 297A.67, subdivision 7a.

Subd. 3. **Baby products.** "Baby products" means breast pumps, baby bottles and nipples, pacifiers, teething rings, infant syringes, baby wipes, cribs and bassinets, crib and bassinet mattresses, crib and bassinet sheets, changing tables, changing pads, strollers, car seats and car seat bases, baby swings, bottle sterilizers, and infant eating utensils.

Subd. 4. **Clothing.** "Clothing" has the meaning given in section 297A.67, subdivision 8.

Subd. 5. **Commissioner.** "Commissioner" means the commissioner of revenue.

Subd. 6. **Drugs and medical devices.** "Drugs and medical devices" has the meaning given in section 297A.67, subdivision 7.

Subd. 7. **Food and beverage service establishment.** "Food and beverage service establishment" has the meaning given in section 157.15, subdivision 5.

Subd. 8. **Food and food ingredients.** "Food and food ingredients" has the meaning given in section 297A.67, subdivision 2.

Subd. 9. **Marketplace provider.** "Marketplace provider" has the meaning given in section 297A.66, subdivision 1, paragraph (d).

Subd. 10. **Person.** "Person" has the meaning given in section 297A.61, subdivision 2.

Subd. 11. **Prepared food.** "Prepared food" has the meaning given in section 297A.61, subdivision 31.

Subd. 12. **Retail delivery.** (a) "Retail delivery" means a delivery to a person located in Minnesota of the following items as part of a retail sale:

(1) tangible personal property that is subject to taxation under chapter 297A; and

(2) clothing, as defined under section 297A.67, subdivision 8, excluding cloth and disposable child and adult diapers.

(b) Retail delivery does not include pickup at the retailer's place of business, including curbside delivery.

Subd. 13. **Retail delivery fee.** "Retail delivery fee" means the fee imposed under section 168E.03 on retail deliveries.

Subd. 14. **Retail sale.** "Retail sale" has the meaning given in section 297A.61, subdivision 4.

Subd. 15. **Retailer.** "Retailer" means any person making sales, leases, or rental of personal property or services within or into the state of Minnesota. Retailer includes a:

(1) retailer maintaining a place of business in this state;

(2) marketplace provider maintaining a place of business in this state, as defined in section 297A.66, subdivision 1, paragraph (a);

(3) retailer not maintaining a place of business in this state; and

(4) marketplace provider not maintaining a place of business in this state, as defined in section 297A.66, subdivision 1, paragraph (b).

Subd. 16. **Tangible personal property.** "Tangible personal property" has the meaning given in section 297A.61, subdivision 10.

Subd. 17. **Threshold amount.** "Threshold amount" means \$100, before application of the tax imposed under section 297A.62, subdivisions 1 and 1a, and any applicable local sales and use taxes, and excluding exempt items under section 168E.05.

**168E.03 FEE IMPOSED.**

Subdivision 1. **Retail delivery fee imposed.** (a) A fee is imposed on each retailer equal to 50 cents on each transaction that equals or exceeds the threshold amount involving retail delivery in Minnesota. The retailer may, but is not required to, collect the fee from the purchaser. If separately

stated on the invoice, bill of sale, or similar document given to the purchaser, the fee is excluded from the sales price for purposes of the tax imposed under chapter 297A.

(b) If the retailer collects the fee from the purchaser:

(1) the retail delivery fee must be charged in addition to any other delivery fee; and

(2) the retailer must show the total of the retail delivery fee and other delivery fees as separate items and distinct from the sales price and any other taxes or fees imposed on the retail delivery on the purchaser's receipt, invoice, or other bill of sale. The receipt, invoice, or other bill of sale must state the retail delivery fee as "road improvement and food delivery fee."

Subd. 2. **Multiple items or shipments.** The fee imposed under subdivision 1 is imposed once per transaction regardless of the number of shipments necessary to deliver the items of tangible personal property purchased or of the number of items of tangible personal property purchased.

Subd. 3. **Returns and cancellations.** The fee imposed under subdivision 1 is nonrefundable if any or all items purchased are returned to a retailer or if the retailer provides a refund or credit in the amount equal to or less than the purchase price. The fee must be refunded to the purchaser if the retail delivery is canceled by the purchaser, retailer, or delivery provider.

#### **168E.05 EXEMPTIONS.**

Subdivision 1. **Transactions.** The following retail deliveries are exempt from the fee imposed by this chapter:

(1) a retail delivery to a purchaser who is exempt from tax under chapter 297A;

(2) a retail delivery on a motor vehicle for which a permit issued by the commissioner of transportation or a road authority is required under chapter 169 or 221 and the retailer has maintained books and records through reasonable and verifiable standards that the retail delivery was on a qualifying vehicle;

(3) a retail delivery resulting from a retail sale of food and food ingredients or prepared food;

(4) a retail delivery resulting from a retail sale by a food and beverage service establishment, regardless of whether the retail delivery is made by a third party other than the food and beverage service establishment; and

(5) a retail delivery resulting from a retail sale of drugs and medical devices, accessories and supplies, or baby products.

Subd. 2. **Small businesses.** (a) The fee imposed by this chapter and the requirements of this chapter do not apply to:

(1) a retailer that made retail sales totaling less than \$1,000,000 in the previous calendar year; and

(2) a marketplace provider when facilitating the sale of a retailer that made retail sales totaling less than \$100,000 in the previous calendar year through the marketplace provider.

(b) A retailer or marketplace provider must begin collecting and remitting the delivery fee to the commissioner on the first day of a calendar month occurring no later than 60 days after the retailer or marketplace provider exceeds a retail sales threshold in paragraph (a).

#### **168E.07 COLLECTION AND ADMINISTRATION.**

Subdivision 1. **Returns; payment of fees.** A retailer must report the fee on a return prescribed by the commissioner and must remit the fee with the return. The return and fee must be filed and paid using the filing cycle and due dates provided for taxes imposed under chapter 297A.

Subd. 2. **Collection and remittance.** A retailer that collects the fee from the purchaser must collect the fee in the same manner as the tax collected under chapter 297A. A retailer using a third-party entity to collect and remit the tax imposed under chapter 297A may elect to have that third-party entity collect and remit the fee imposed under this chapter.

Subd. 3. **Administration.** Unless specifically provided otherwise by this chapter, the audit, assessment, refund, penalty, interest, enforcement, collection remedies, appeal, and administrative provisions of chapters 270C and 289A, that are applicable to taxes imposed under chapter 297A, apply to the fee imposed under this chapter.

Subd. 4. **Interest on overpayments.** The commissioner must pay interest on an overpayment refunded or credited to the retailer from the date of payment of the fee until the date the refund is paid or credited. For purposes of this subdivision, the date of payment is the due date of the return or the date of actual payment of the fee, whichever is later.

**168E.09 DEPOSIT OF PROCEEDS.**

Subdivision 1. **Costs deducted.** The commissioner must retain an amount that does not exceed the total cost of collecting, administering, and enforcing the retail delivery fee and must deposit the amount in the revenue department service and recovery special revenue fund.

Subd. 2. **Deposits.** After deposits under subdivision 1, the commissioner must deposit the balance of proceeds from the retail delivery fee in the transportation advancement account under section 174.49.

**297A.9915 REGIONAL TRANSPORTATION SALES AND USE TAX.**

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

(b) "Metropolitan area" means the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

(c) "Metropolitan Council" or "council" means the Metropolitan Council established by section 473.123.

(d) "Regional transportation sales tax" means the regional transportation sales and use tax imposed under this section.

Subd. 2. **Sales tax imposition; rate.** Notwithstanding section 473.123, subdivision 1, the Metropolitan Council must impose a regional transportation sales and use tax at a rate of three-quarters of one percent on retail sales and uses taxable under this chapter made in the metropolitan area or to a destination in the metropolitan area.

Subd. 3. **Administration; collection; enforcement.** Except as otherwise provided in this section, the provisions of section 297A.99, subdivisions 4, and 6 to 12a, govern the administration, collection, and enforcement of the regional transportation sales tax.

Subd. 4. **Deposit.** Proceeds of the regional transportation sales tax must be allocated as follows:

(1) 83 percent to the Metropolitan Council for the purposes specified under section 473.4465; and

(2) 17 percent to metropolitan counties, as defined in section 174.49, subdivision 1, in the manner provided under section 174.49, subdivision 5.

Subd. 5. **Revenue bonds.** (a) In addition to other authority granted in this section, and notwithstanding section 473.39, subdivision 7, or any other law to the contrary, the council may, by resolution, authorize the sale and issuance of revenue bonds, notes, or obligations to provide funds to (1) implement the council's transit capital improvement program, and (2) refund bonds issued under this subdivision.

(b) The bonds are payable from and secured by a pledge of all or part of the revenue received under subdivision 4, clause (1), and associated investment earnings on debt proceeds. The council may, by resolution, authorize the issuance of the bonds as general obligations of the council. The bonds must be sold, issued, and secured in the manner provided in chapter 475, and the council has the same powers and duties as a municipality and its governing body in issuing bonds under chapter 475, except that no election is required and the net debt limitations in chapter 475 do not apply to such bonds. The proceeds of the bonds may also be used to fund necessary reserves and to pay credit enhancement fees, issuance costs, and other financing costs during the life of the debt.

(c) The bonds may be secured by a bond resolution, or a trust indenture entered into by the council with a corporate trustee within or outside the state, which must define the revenues and bond proceeds pledged for the payment and security of the bonds. The pledge must be a valid charge on the revenues received under section 297A.99, subdivision 11. Neither the state, nor any municipality or political subdivision except the council, nor any member or officer or employee of the council, is liable on the obligations. No mortgage or security interest in any tangible real or personal property is granted to the bondholders or the trustee, but they have a valid security interest in the revenues and bond proceeds received by the council and pledged to the payment of the bonds.

In the bond resolution or trust indenture, the council may make such covenants as it determines to be reasonable for the protection of the bondholders.

**297A.9925 METROPOLITAN REGION SALES AND USE TAX.**

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

(b) "Metropolitan Council" or "council" means the Metropolitan Council established by section 473.123.

(c) "Metropolitan county" has the meaning given in section 473.121, subdivision 4.

(d) "Metropolitan sales tax" means the metropolitan region sales and use tax imposed under this section.

Subd. 2. **Sales tax imposition; rate.** Notwithstanding section 473.123, subdivision 1, the Metropolitan Council must impose a metropolitan region sales and use tax at a rate of 0.25 percent on retail sales made in the metropolitan counties or to a destination in the metropolitan counties.

Subd. 3. **Administration; collection; enforcement.** Except as otherwise provided in this section, the provisions of section 297A.99, subdivisions 4, and 6 to 12a, govern the administration, collection, and enforcement of the metropolitan sales tax.

Subd. 4. **Distribution.** Notwithstanding section 297A.94, proceeds of the metropolitan sales tax are distributed:

(1) 25 percent to the state rent assistance account under section 462A.2095;

(2) 25 percent to the metropolitan city aid account in the housing assistance fund under section 477A.37; and

(3) 50 percent to the metropolitan county aid account in the housing assistance fund under section 477A.37.

**462A.05 SPECIFIC POWERS OF THE AGENCY.**

Subd. 42. **Rent assistance program.** The agency may administer the rent assistance program established in section 462A.2095.

**462A.2095 RENT ASSISTANCE PROGRAM.**

Subdivision 1. **Program established.** (a) The state rent assistance account is established as a separate account in the housing development fund. Money in the account is appropriated to the agency for grants to program administrators for the purposes specified in this section.

(b) Money deposited in the account under section 297A.9925 is for grants to program administrators in the metropolitan counties as defined in section 473.121, subdivision 4.

Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Eligible household" means a household with an annual income of up to 50 percent of the area median income as determined by the United States Department of Housing and Urban Development, adjusted for family size, that is paying more than 30 percent of the household's annual income on rent. Eligibility is determined at the time a household first receives rent assistance under this section. Eligibility shall be recertified every year thereafter. Eligible household does not include a household receiving federal tenant-based or project-based assistance under Section 8 of the United States Housing Act of 1937, as amended.

(c) "Program administrator" means:

(1) a housing and redevelopment authority or other local government agency or authority that administers federal tenant-based or project-based assistance under Section 8 of the United States Housing Act of 1937, as amended;

(2) a Tribal government or Tribally designated housing entity; or

(3) if there is no entity under clause (1) or (2) with the capacity to administer the program, a nongovernmental organization determined by the agency to have the capacity to administer the program.

Subd. 3. **Grants to program administrators.** (a) The agency may make grants to program administrators to provide rental assistance for eligible households. For both tenant-based and project-based assistance, program administrators shall pay assistance directly to housing providers. Rental assistance may be provided in the form of tenant-based assistance or project-based assistance. Notwithstanding the amounts awarded under subdivision 1, paragraph (b), and to the extent practicable, the agency must make grants statewide in proportion to the number of households eligible for assistance in each county according to the most recent American Community Survey of the United States Census Bureau.

(b) The program administrator may use its existing procedures to administer the rent assistance program or may develop alternative procedures with the goals of reaching households most in need and incentivizing landlord participation. The agency must approve a program administrator's alternative procedures. Priority for rental assistance shall be given to households with children 18 years of age and under, and annual incomes of up to 30 percent of the area median income. Program administrators may establish additional priority populations based on local need.

Subd. 4. **Amount of rent assistance.** A program administrator may provide tenant-based or project-based vouchers in amounts equal to the difference between 30 percent of household income and the rent charged, plus an allowance for utilities if not included in rent. A program administrator may not provide assistance that is more than the difference between 30 percent of the tenant's gross income and 120 percent of the payment standard, plus utilities, as established by the local public housing authority, unless otherwise authorized by the agency.

Subd. 5. **Administrative fees.** The agency shall consult with public housing authorities to determine the amount of administrative fees, including start-up costs, to pay to program administrators.

Subd. 6. **Rent assistance not income.** (a) Notwithstanding any law to the contrary, payments under this section must not be considered income, assets, or personal property for purposes of determining eligibility or recertifying eligibility for state public assistance, including but not limited to:

- (1) child care assistance programs under chapter 119B;
- (2) general assistance, Minnesota supplemental aid, and food support under chapter 256D;
- (3) housing support under chapter 256I;
- (4) Minnesota family investment program and diversionary work program under chapter 256J; and
- (5) economic assistance programs under chapter 256P.

(b) The commissioner of human services must not consider rent assistance grant money under this section as income or assets under section 256B.056, subdivision 1a, paragraph (a); subdivision 3; or subdivision 3c, or for persons with eligibility determined under section 256B.057, subdivision 3, 3a, or 3b.

Subd. 7. **Oversight.** The agency may direct program administrators to comply with applicable sections of Code of Federal Regulations, title 24, parts 982 and 983.

#### **473.4051 GUIDEWAYS AND BUSWAYS; CONSTRUCTION AND OPERATION.**

Subd. 2. **Guideway and busway; operating costs.** (a) After operating revenue, federal funds, and state funds are used for operations of a guideway or busway, as the terms are defined in section 473.4485, subdivision 1, the council must pay all remaining operating costs from sales tax revenue, as defined in section 473.4465, subdivision 1.

(b) The requirements under paragraph (a) do not apply to the costs of Northstar Commuter Rail attributed to operations outside of a metropolitan county.

#### **473.4465 REGIONAL TRANSPORTATION SALES AND USE TAX USES.**

Subdivision 1. **Definition.** For purposes of this section, "sales tax revenue" means the portion of revenue from the regional transportation sales and use tax under section 297A.9915 that is allocated to the council for purposes of this section.

Subd. 2. **Use of funds; Metropolitan Council.** (a) Sales tax revenue is available as follows:

- (1) five percent for active transportation, as determined by the Transportation Advisory Board under subdivision 3; and

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(2) 95 percent for transit system purposes under sections 473.371 to 473.452, including but not limited to operations, maintenance, and capital projects.

(b) The council must expend a portion of sales tax revenue in each of the following categories:

(1) improvements to regular route bus service levels;

(2) improvements related to transit safety, including additional transit officials, as defined under section 473.4075;

(3) maintenance and improvements to bus accessibility at transit stops and transit centers;

(4) transit shelter replacement and improvements under section 473.41;

(5) planning and project development for expansion of arterial bus rapid transit lines;

(6) operations and capital maintenance of arterial bus rapid transit;

(7) planning and project development for expansion of highway bus rapid transit and bus guideway lines;

(8) operations and capital maintenance of highway bus rapid transit and bus guideways;

(9) zero-emission bus procurement and associated costs in conformance with the zero-emission and electric transit vehicle transition plan under section 473.3927;

(10) demand response microtransit service provided by the council;

(11) financial assistance to replacement service providers under section 473.388, to provide for service, vehicle purchases, and capital investments related to demand response microtransit service;

(12) financial assistance to political subdivisions and tax-exempt organizations under section 501(c)(3) of the Internal Revenue Code for active transportation; and

(13) wage adjustments for Metro Transit hourly operations employees.

**Subd. 3. Use of funds; active transportation.** (a) Sales tax revenue allocated to the Transportation Advisory Board under subdivision 2, clause (1), is for grants to support active transportation within the metropolitan area.

(b) The Transportation Advisory Board must establish eligibility requirements and a selection process to provide the grant awards. The process must include: solicitation; evaluation and prioritization, including technical review, scoring, and ranking; project selection; and award of funds. To the extent practicable and subject to paragraph (c), the process must align with procedures and requirements established for allocation of other sources of funds.

(c) The selection process must include criteria and prioritization of projects based on:

(1) the project's inclusion in a municipal or regional nonmotorized transportation system plan;

(2) the extent to which policies or practices of the political subdivision encourage and promote complete streets planning, design, and construction;

(3) the extent to which the project supports connections between communities and to key destinations within a community;

(4) identified barriers or deficiencies in the nonmotorized transportation system;

(5) identified safety or health benefits;

(6) geographic equity in project benefits, with an emphasis on communities that are historically and currently underrepresented in local or regional planning; and

(7) the ability of a grantee to maintain the active transportation infrastructure following project completion.

**Subd. 4. Use of funds; metropolitan counties.** A metropolitan county must use revenue from the regional transportation sales and use tax under section 297A.9915 in conformance with the requirements under section 174.49, subdivision 6.

**Subd. 5. Prohibition.** (a) The council is prohibited from expending sales tax revenue on the Southwest light rail transit (Green Line Extension) project.

(b) Paragraph (a) expires on the date of expiration of the Metropolitan Governance Task Force as specified under Laws 2023, chapter 68, article 4, section 123, subdivision 11.

Subd. 6. **Tracking and information.** (a) The council must maintain separate financial information on sales tax revenue that includes:

(1) a summary of annual revenue and expenditures, including but not limited to balances and anticipated revenue in the forecast period under section 16A.103; and

(2) for active transportation under subdivision 3 and each of the categories specified under subdivision 2 in the most recent prior three fiscal years:

- (i) specification of annual expenditures; and
- (ii) an overview of the projects or services.

(b) The council must publish the information required under paragraph (a) on the council's website.

#### **477A.35 LOCAL AFFORDABLE HOUSING AID.**

Subdivision 1. **Purpose.** The purpose of this section is to help metropolitan local governments to develop and preserve affordable housing within their jurisdictions in order to keep families from losing housing and to help those experiencing homelessness find housing.

Subd. 2. **Definitions.** For the purposes of this section, the following terms have the meanings given:

(1) "city distribution factor" means the number of households in a tier I city that are cost-burdened divided by the total number of households that are cost-burdened in tier I cities. The number of cost-burdened households shall be determined using the most recent estimates or experimental estimates provided by the American Community Survey of the United States Census Bureau as of May 1 of the aid calculation year;

(2) "cost-burdened household" means a household in which gross rent is 30 percent or more of household income or in which homeownership costs are 30 percent or more of household income;

(3) "county distribution factor" means the number of households in a county that are cost-burdened divided by the total number of households in metropolitan counties that are cost-burdened. The number of cost-burdened households shall be determined using the most recent estimates or experimental estimates provided by the American Community Survey of the United States Census Bureau as of May 1 of the aid calculation year;

(4) "metropolitan area" has the meaning given in section 473.121, subdivision 2;

(5) "metropolitan county" has the meaning given in section 473.121, subdivision 4;

(6) "population" has the meaning given in section 477A.011, subdivision 3; and

(7) "tier I city" means a statutory or home rule charter city that is a city of the first, second, or third class and is located in a metropolitan county.

Subd. 3. **Distribution.** (a) The commissioner of revenue shall calculate the amount of aid to distribute to each county under this section as the sum of:

(1) three percent of the total amount available to counties under this section; plus

(2) 79 percent of the total amount available to counties under this section, multiplied by the county distribution factor.

(b) The commissioner of revenue shall calculate the amount of aid to distribute to each tier I city under this section as:

(1) the tier I city's city distribution factor; multiplied by

(2) the total amount available to cities under this section.

Subd. 4. **Qualifying projects.** (a) Qualifying projects shall include: (1) emergency rental assistance for households earning less than 80 percent of area median income as determined by the United States Department of Housing and Urban Development; (2) financial support to nonprofit affordable housing providers in their mission to provide safe, dignified, affordable and supportive housing; and (3) projects designed for the purpose of construction, acquisition, rehabilitation, demolition or removal of existing structures, construction financing, permanent financing, interest

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rate reduction, refinancing, and gap financing of housing to provide affordable housing to households that have incomes which do not exceed, for homeownership projects, 115 percent of the greater of state or area median income as determined by the United States Department of Housing and Urban Development, and for rental housing projects, 80 percent of the greater of state or area median income as determined by the United States Department of Housing and Urban Development, except that the housing developed or rehabilitated with funds under this section must be affordable to the local work force.

Projects shall be prioritized that provide affordable housing to households that have incomes which do not exceed, for homeownership projects, 80 percent of the greater of state or area median income as determined by the United States Department of Housing and Urban Development, and for rental housing projects, 50 percent of the greater of state or area median income as determined by the United States Department of Housing and Urban Development. Priority may be given to projects that: reduce disparities in home ownership; reduce housing cost burden, housing instability, or homelessness; improve the habitability of homes; create accessible housing; or create more energy- or water-efficient homes.

(b) Gap financing is either:

(1) the difference between the costs of the property, including acquisition, demolition, rehabilitation, and construction, and the market value of the property upon sale; or

(2) the difference between the cost of the property and the amount the targeted household can afford for housing, based on industry standards and practices.

(c) If aid under this section is used for demolition or removal of existing structures, the cleared land must be used for the construction of housing to be owned or rented by persons who meet the income limits of paragraph (a).

(d) If an aid recipient uses the aid on new construction or substantial rehabilitation of a building containing more than four units, the loan recipient must construct, convert, or otherwise adapt the building to include:

(1) the greater of: (i) at least one unit; or (ii) at least five percent of units that are accessible units, as defined by section 1002 of the current State Building Code Accessibility Provisions for Dwelling Units in Minnesota, and include at least one roll-in shower; and

(2) the greater of: (i) at least one unit; or (ii) at least five percent of units that are sensory-accessible units that include:

(A) soundproofing between shared walls for first and second floor units;

(B) no florescent lighting in units and common areas;

(C) low-fume paint;

(D) low-chemical carpet; and

(E) low-chemical carpet glue in units and common areas.

Nothing in this paragraph relieves a project funded by this section from meeting other applicable accessibility requirements.

**Subd. 5. Use of proceeds.** (a) Any funds distributed under this section must be spent on a qualifying project. Funds are considered spent on a qualifying project if:

(1) a tier I city or county demonstrates to the Minnesota Housing Finance Agency that the city or county cannot expend funds on a qualifying project by the deadline imposed by paragraph (b) due to factors outside the control of the city or county; and

(2) the funds are transferred to a local housing trust fund.

Funds transferred to a local housing trust fund under this paragraph must be spent on a project or household that meets the affordability requirements of subdivision 4, paragraph (a).

(b) Funds must be spent by December 31 in the third year following the year after the aid was received.

**Subd. 6. Administration.** (a) The commissioner of revenue must compute the amount of aid payable to each tier I city and county under this section. By August 1 of each year, the commissioner must certify the distribution factors of each tier I city and county to be used in the following year.

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The commissioner must pay local affordable housing aid annually at the times provided in section 477A.015, distributing the amounts available on the immediately preceding June 1 under the accounts established in section 477A.37, subdivisions 2 and 3.

(b) Beginning in 2025, tier I cities and counties shall submit a report annually, no later than December 1 of each year, to the Minnesota Housing Finance Agency. The report must include documentation of the location of any unspent funds distributed under this section and of qualifying projects completed or planned with funds under this section. If a tier I city or county fails to submit a report, if a tier I city or county fails to spend funds within the timeline imposed under subdivision 5, paragraph (b), or if a tier I city or county uses funds for a project that does not qualify under this section, the Minnesota Housing Finance Agency shall notify the Department of Revenue and the cities and counties that must repay funds under paragraph (c) by February 15 of the following year.

(c) By May 15, after receiving notice from the Minnesota Housing Finance Agency, a tier I city or county must pay to the Minnesota Housing Finance Agency funds the city or county received under this section if the city or county:

- (1) fails to spend the funds within the time allowed under subdivision 5, paragraph (b);
- (2) spends the funds on anything other than a qualifying project; or
- (3) fails to submit a report documenting use of the funds.

(d) The commissioner of revenue must stop distributing funds to a tier I city or county that, in three consecutive years, the Minnesota Housing Finance Agency has reported, pursuant to paragraph (b), to have failed to use funds, misused funds, or failed to report on its use of funds.

(e) The commissioner may resume distributing funds to a tier I city or county to which the commissioner has stopped payments in the year following the August 1 after the Minnesota Housing Finance Agency certifies that the city or county has submitted documentation of plans for a qualifying project.

(f) By June 1, any funds paid to the Minnesota Housing Finance Agency under paragraph (c) must be deposited in the housing development fund. Funds deposited under this paragraph are appropriated to the commissioner of the Minnesota Housing Finance Agency for use on the family homeless prevention and assistance program under section 462A.204, the economic development and housing challenge program under section 462A.33, and the workforce and affordable homeownership development program under section 462A.38.

**Subd. 7. County consultation with local governments.** A county that receives funding under this section shall regularly consult with the local governments in the jurisdictions of which its qualifying projects are planned or located.

**477A.37 HOUSING ASSISTANCE FUND.**

**Subdivision 1. Fund established.** A housing assistance fund is established in the state treasury. The fund consists of money as provided under section 297A.9925, and any other money donated, allotted, transferred, or otherwise provided to the fund.

**Subd. 2. Metropolitan county aid account; appropriation.** (a) A metropolitan county aid account is established in the housing assistance fund. The account consists of money as provided under section 297A.9925, and any other money donated, allotted, transferred, or otherwise provided to the account.

(b) Money in the metropolitan county aid account is annually appropriated to the commissioner of revenue for payments to counties as provided under section 477A.35.

**Subd. 3. Metropolitan city aid account; appropriation.** (a) A metropolitan city aid account is established in the housing assistance fund. The account consists of money as provided under section 297A.9925, and any other money donated, allotted, transferred, or otherwise provided to the account.

(b) Money in the metropolitan city aid account is annually appropriated to the commissioner of revenue for payments to cities as provided under section 477A.35.