

SENATE  
STATE OF MINNESOTA  
EIGHTY-SEVENTH LEGISLATURE

S.F. No. 1290

(SENATE AUTHORS: PEDERSON)

DATE	D-PG	OFFICIAL STATUS
04/26/2011	1407	Introduction and first reading Referred to Taxes

A bill for an act  
relating to local government aids; providing alternative sales tax sharing to  
certain cities in lieu of local government aid; amending Minnesota Statutes  
2010, sections 477A.013, subdivision 9; 477A.03, subdivision 2a, by adding a  
subdivision; proposing coding for new law in Minnesota Statutes, chapter 477A.  
BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2010, section 477A.013, subdivision 9, is amended to  
read:

Subd. 9. **City aid distribution.** (a) In calendar year 2009 and thereafter, each  
city shall receive an aid distribution equal to the sum of (1) the city formula aid under  
subdivision 8, and (2) its city aid base.

(b) For aids payable in 2011 only, the total aid in the previous year for any city shall  
mean the amount of aid it was certified to receive for aids payable in 2010 under this  
section minus the amount of its aid reduction under section 477A.0134. For aids payable  
in 2012 and thereafter, the total aid in the previous year for any city means the amount of  
aid it was certified to receive under this section in the previous payable year.

(c) For aids payable in 2010 and thereafter, the total aid for any city shall not exceed  
the sum of (1) ten percent of the city's net levy for the year prior to the aid distribution  
plus (2) its total aid in the previous year. For aids payable in 2009 and thereafter, the total  
aid for any city with a population of 2,500 or more may not be less than its total aid under  
this section in the previous year minus the lesser of \$10 multiplied by its population, or ten  
percent of its net levy in the year prior to the aid distribution.

(d) For aids payable in 2010 and thereafter, the total aid for a city with a population  
less than 2,500 must not be less than the amount it was certified to receive in the  
previous year minus the lesser of \$10 multiplied by its population, or five percent of its

2003 certified aid amount. For aids payable in 2009 only, the total aid for a city with a population less than 2,500 must not be less than what it received under this section in the previous year unless its total aid in calendar year 2008 was aid under section 477A.011, subdivision 36, paragraph (s), in which case its minimum aid is zero.

(e) A city's aid loss under this section may not exceed \$300,000 in any year in which the total city aid appropriation under section 477A.03, subdivision 2a, is equal or greater than the appropriation under that subdivision in the previous year, unless the city has an adjustment in its city net tax capacity under the process described in section 469.174, subdivision 28.

(f) If a city's net tax capacity used in calculating aid under this section has decreased in any year by more than 25 percent from its net tax capacity in the previous year due to property becoming tax-exempt Indian land, the city's maximum allowed aid increase under paragraph (c) shall be increased by an amount equal to (1) the city's tax rate in the year of the aid calculation, multiplied by (2) the amount of its net tax capacity decrease resulting from the property becoming tax exempt.

(g) Notwithstanding paragraphs (a) to (f), the amount of aid paid to any city participating in sales tax revenue sharing under section 477A.0135 is zero.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2012 and thereafter.

**Sec. 2. [477A.0135] ALTERNATIVE SALES TAX REVENUE SHARING IN LIEU OF AIDS.**

Subdivision 1. **Qualifying cities.** A city with a population of 10,000 or more that is located outside the metropolitan area may choose to forego aid under section 477A.013, subdivision 9, and instead receive a portion of state sales tax revenues. In order to qualify, the city must file notice with the commissioner of revenue by July 1 of the year prior to the year in which the aid payment would be first foregone.

Subd. 2. **Sales tax revenue sharing.** A city participating in revenue sharing under this section shall receive payments of state sales tax revenue equal to the amount raised by a rate of 1.5 percent imposed on transactions that are sourced to the city and subject to sales and use taxes under chapter 297A. The proceeds of the tax, less a proportionate share of the state refunds, shall be paid quarterly to the city with the first payment made April 1 of the year in which an aid payment is first foregone.

Subd. 3. **Duration of revenue sharing; resumption of aid payments.** A city may not terminate the election to participate in sales tax revenue sharing and again receive aid under section 477A.013, subdivision 9, until it has participated in revenue sharing for at

least five years. If a city chooses to terminate its participation under this section and resume receiving aid payments, it must notify the commissioner of revenue by July 1 of the year prior to the year in which the aid payment would again be paid.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2012 and thereafter.

Sec. 3. Minnesota Statutes 2010, section 477A.03, subdivision 2a, is amended to read:

Subd. 2a. **Cities.** For aids payable in 2011 and thereafter, the total aid paid under section 477A.013, subdivision 9, is \$527,100,646 less the reductions required under subdivision 6.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2012 and thereafter.

Sec. 4. Minnesota Statutes 2010, section 477A.03, is amended by adding a subdivision to read:

**Subd. 6. Adjustment for alternative sales tax revenue sharing.** For each city that chooses to participate in sales tax revenue sharing under section 477A.0135, the total aid paid under subdivision 2a is reduced by the amount of aid that city was certified to get under section 477A.013, subdivision 9, in the year prior to the calendar year in which sales tax revenue sharing with that city begins. This reduction is made for aids payable in every year in which the city receives sales tax revenue sharing.