



Local Taxes Advisory Task Force

Task Force Authorization

Examine role of local taxes as funding source for local governments and determine:

- Objective criteria to evaluate proposed local taxes (general sales, food and beverage, entertainment, lodging)
- Appropriate entity to conduct evaluations before legislative hearings
- Appropriate process to enact or change existing local taxes
- Law changes needed to implement Task Force recommendations

Task Force Report to the Legislature, p. 5

Task Force Members

- **Paul Marquart (Chair)**, Commissioner of Minnesota Department of Revenue
- **Lisa Bode**, Governmental Affairs Director for City of Moorhead
- **Pat Dalton**, retired Legislative Analyst for nonpartisan Minnesota House Research
- **Suyapa Miranda**, Executive Director for Prepare + Prosper
- **Jill Sims**, Director of Government Affairs for Hospitality Minnesota
- **Jenny Max**, Nisswa City Administrator and President of League of Minnesota Cities
- **Michael Williams**, Stearns County Administrator

Task Force Work

- The task force convened 15 public meetings
 - Public input: Three public meetings were dedicated for public testimony, and a public comment period.
- The task force engaged in thoughtful dialogue and debate.
- The task force developed a set of recommendations that:
 - Centers on local voter control
 - Acknowledges the vital role of, and the burdens on, small businesses
 - Provides a greater level of flexibility for cities and counties
 - Streamlines the process of approval for legislators
- Crucial areas in this report that require further attention: equalization, taxpayer burden, and general elections.

Case Study: Cost of Post-It Notes by Region

Location	Price	State tax	County tax	City tax	Other tax	Metro area taxes**	Tax amount	Total
Duluth	\$5.39	6.875%	0.50%	1.5%	-	-	\$0.48	\$5.87
Minneapolis	\$5.39	6.875%	0.15%	0.5%	0.5%*	1.0%	\$0.49	\$5.88
Anoka County	\$5.39	6.875%	0.25%	-	-	1.0%	\$0.44	\$5.83
Morris	\$5.39	6.875%	-	-	-	-	\$0.37	\$5.76

Based on prices and rates in January 2024.

* Hennepin County transit tax

** Metro Area Sales Tax for Housing (0.25%) and Metro Area Transportation Sales Tax (0.75%)

Case Study: Cost of iPhone by Region

Location	Price	State tax	County tax	City tax	Other tax	Metro area taxes**	Tax amount	Total
Duluth	\$799.99	6.875%	0.50%	1.5%			\$71.00	\$870.99
Minneapolis	\$799.99	6.875%	0.15%	0.5%	0.5%*	1.0%	\$72.00	\$871.99
Anoka County	\$799.99	6.875%	0.25%	--	--	1.0%	\$65.00	\$864.99
Morris	\$799.99	6.875%	-	-	-	-	\$55.00	\$854.99

Based on prices and rates in January 2024.

* Hennepin County transit tax

** Metro Area Sales Tax for Housing (0.25%) and Metro Area Transportation Sales Tax (0.75%)

Task Force Principles

Task Force Principles



1. Cities/Counties should have flexibility, autonomy to seek voter approval for regional projects without going to Legislature.



2. Voters must approve local sales tax in a referendum and be informed on burden and benefits of all proposed taxes.



3. Local sales taxes should only fund significant regional projects – so they do not increase inequality among local governments.



4. Local governments should bear cost to administer their taxes – not individuals, the state, or businesses – as possible.

Task Force Principles



5. Cities/Counties should have access to parameters for sales tax authorization and criteria for projects – to ensure fairness.



6. Policies should recognize and remedy (as possible) disparate burdens on socio-economic groups – to ensure equity.



7. Policies should recognize Cities/Counties differ in their capacity to raise revenue and may face overburdens in providing services.

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Interested and impacted parties

- The task force considered the following perspectives for the report:
 - Individuals
 - Small Business Owners
 - Local City and County Governments
 - State Agencies and Offices
 - The Legislature
- Additional perspectives needing consideration:
 - Tribal Governments
 - Tax professionals supporting businesses

Task Force Recommendations

General Local Sales and Use Taxes (Rec. 1-2)

1. Limit general local sales and use tax funding to capital projects that serve a regional population, promote economic development, or draw people to the region.
2. Cities/Counties do not need legislative approval for taxes to fund certain regional projects – airport, convention center, library, park, trail, sports complex, community center, or criminal justice facilities – if they:
 - Submit documentation to Office of State Auditor showing regional significance.
 - Meet other recommendations/requirements in this report for local sales taxes.

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General Local Sales and Use Taxes (Rec. 3-6)

3. If proposed capital projects are not regional, the Legislature must consider equalization broadly as part of state aid and other tax bases.
4. Office of the State Auditor should verify regional significance of projects and coordinate with Revenue to oversee the local sales and use tax process.
5. Total project and financing costs must not exceed a specific maximum dollar amount or a 30-year collection period, whichever comes first.
6. The approval process and timeline must meet Office of the State Auditor needs and allow Cities/Counties to meet legislative deadlines, if needed.

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General Local Sales and Use Taxes (Rec. 7-9)

7. General local sales taxes, except county transportation taxes, must be approved by the voters only at a general or special election.
8. Set aside part of general local sales tax collections to defray administration costs for Revenue, the Office of the State Auditor, and small business filers.
9. Limit City/County general local sales taxes to a total rate of 1% for each entity. For counties, include transportation taxes in the 1% limit.

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Local Lodging Taxes (Rec. 10-11)

10. Local governments must notify affected businesses and hold a public hearing before seeking legislative approval for a lodging tax outside M.S. 469.190.
11. Any local government looking to use a tax imposed under M.S. 469.190 for another purpose must receive legislative approval.

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Local Food, Beverage, Entertainment Taxes (Rec. 12-14)

12. Local governments must notify affected businesses and hold a public hearing before seeking legislative approval for a food, beverage, or entertainment tax.
13. All local food, beverage, and entertainment taxes require legislative approval.
14. The Legislature must examine current definitions and parameters around the use of local food, beverage, and entertainment taxes – including any appropriate limits and guidance.

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Local Transportation Taxes (Rec. 15)

15. No recommended changes to the current process.

Additional Considerations

Additional Considerations

Task Force encourages the Legislature to convene future groups to consider other areas important to the role of local taxes:

- Guidance for special districts/jurisdictions that want to use general local sales and use tax
- Layering of multiple taxes in a region – that impact individuals and small businesses – and other potential revenue sources
- Consultation on local sales taxes with Tribal governments and ways to keep building local-Tribal relationships

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Thank You!