

SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION

S.F. No. 375

(SENATE AUTHORS: REST, Weber, Putnam and Nelson)		
DATE	D-PG	OFFICIAL STATUS
01/21/2025	124	Introduction and first reading Referred to Taxes
01/23/2025	167	Author added Nelson

1.1

A bill for an act

1.2

relating to taxation; sales and use; modifying authority and requirements for local

1.3

sales and use taxes; amending Minnesota Statutes 2024, section 297A.99,

1.4

subdivisions 1, 1a, 3; proposing coding for new law in Minnesota Statutes, chapter

1.5

297A; repealing Minnesota Statutes 2024, section 297A.99, subdivision 3a.

1.6

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

1.7

Section 1. Minnesota Statutes 2024, section 297A.99, subdivision 1, is amended to read:

1.8

Subdivision 1. **Authorization; scope.** (a) A political subdivision of this state may impose

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a general sales tax (1) under section 297A.9915, (2) under section 297A.992, (3) under

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section 297A.9925, (4) under section 297A.993, (5) if permitted by special law, or (6) if

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the political subdivision enacted and imposed the tax before January 1, 1982, and its

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predecessor provision.

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(b) This section governs the imposition of a general sales tax by the political subdivision.

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The provisions of this section preempt the provisions of any special law:

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

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(2) enacted on or after June 2, 1997, that does not explicitly exempt the special law

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provision from this section's rules by reference;or

1.18

(3) enacted before July 1, 2025.

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(c) This section does not apply to or preempt a sales tax on motor vehicles. Beginning

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July 1, 2019, no political subdivision may impose a special excise tax on motor vehicles

1.21

unless it is imposed under section 297A.993.

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

(1) conduct the referendum;

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

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

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

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

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

Sec. 2. Minnesota Statutes 2024, section 297A.99, subdivision 1a, is amended to read:

Subd. 1a. **Requirements.** Local sales taxes are to be used instead of traditional local revenues only for construction and rehabilitation of capital projects when a clear regional benefit beyond the taxing jurisdiction can be demonstrated. ~~Use of local sales tax revenues for local projects decreases the benefits to taxpayers of the deductibility of local property taxes and the state assistance provided through the property tax refund system and increases the fiscal inequities between similar communities.~~

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

Sec. 3. Minnesota Statutes 2024, section 297A.99, subdivision 3, is amended to read:

Subd. 3. **Legislative authority required before voter approval; requirements for adoption, use, termination.** (a) A political subdivision must receive legislative authority to impose a local sales tax before submitting the tax for approval by voters of the political subdivision. Imposition of a local sales tax is subject to approval by voters of the political subdivision at a general election. The election must be conducted at a general election within the two-year period after the governing body of the political subdivision has received authority to impose the tax. If the authorizing legislation allows the tax to be imposed for

3.1 more than one project, there must be a separate question approving the use of the tax revenue
3.2 for each project. Notwithstanding the authorizing legislation, a project that is not approved
3.3 by the voters may not be funded with the local sales tax revenue and the ~~termination date~~
3.4 ~~of the tax set~~ total amount for all projects allowed in the authorizing legislation must be
3.5 reduced ~~proportionately based on the share of that project's cost to the total costs of all~~
3.6 ~~projects included in the authorizing legislation~~ accordingly.

3.7 (b) The proceeds of the tax must be dedicated exclusively to payment of the construction
3.8 and rehabilitation costs and associated bonding costs related to the specific capital
3.9 improvement projects that were approved by the voters under paragraph (a). The political
3.10 subdivision must not commingle revenue from a tax for a project or projects approved by
3.11 the voters under this section with revenue from a local sales tax authorized under section
3.12 297A.9901 or any other law, ordinance, city charter, or other provision, including an
3.13 extension of or modification to the uses of a local sales tax for a different project.

3.14 (c) The political subdivision imposing the tax must notify the commissioner at least 90
3.15 days before the date the political subdivision anticipates that revenues raised from the tax
3.16 are sufficient to fund the projects approved by the voters under paragraph (a). The notification
3.17 applies to each authorization of a tax and each project approved by the voters under paragraph
3.18 (a), regardless of whether the legislature has authorized the tax notwithstanding the
3.19 requirements of paragraph (d). The tax must terminate after the revenues raised are sufficient
3.20 to fund the projects approved by the voters under paragraph (a). The political subdivision
3.21 must notify the commissioner within 30 days of the date that sufficient revenues have been
3.22 raised to fund the projects approved by the voters under paragraph (a).

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

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

3.32 ~~(f)~~ (e) If a tax is terminated because sufficient revenues have been raised, any amount
3.33 of tax collected under subdivision 9, after sufficient revenues have been raised and before
3.34 the quarterly termination required under subdivision 12, paragraph (a), that is greater than

the average quarterly revenues collected over the immediately preceding 12 calendar months must be retained by the commissioner for deposit in the general fund.

(f) The total tax rate imposed by a political subdivision under this section or any other law, ordinance, or city charter and section 297A.9901 must not exceed one-half of one percent, except that this limit does not apply to taxes authorized under this section or any other law, ordinance, or city charter before June 1, 2023. Upon expiration of a tax authorized under this section or any other law, ordinance, or city charter, the limit in this paragraph applies.

(g) If a county imposes a tax under section 297A.993, the total amount of tax imposed by the county under paragraph (f) and section 297A.993 must not exceed one percent, except that this limit does not apply to taxes authorized under this section or any other law, ordinance, or city charter before June 1, 2023. Upon expiration of a tax authorized under this section or any other law, ordinance, or city charter, the limit in this paragraph applies.

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

Sec. 4. [297A.9901] SPECIFIED CAPITAL PROJECTS; LOCAL AUTHORIZATION ALLOWED; REQUIREMENTS.

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

(b) "Associated bonding costs" means the cost of issuing bonds to finance a specified capital project including but not limited to the costs of issuance of the bonds, capitalized interest, and the payment of principal and interest on the bonds.

(c) "Contributor" has the meaning given in section 297A.9903, subdivision 1, paragraph (f).

(d) "Convention center" means a structure:

(1) that has a minimum of 50,000 square feet for exhibit and meeting spaces;

(2) the square footage of which is expressly designed and constructed for the purposes of presenting conventions, public meetings, and exhibitions, and includes parking facilities that serve the center; and

(3) if located outside the metropolitan area, is more than 15 miles from the nearest existing convention center.

(e) "Correctional facility" means a public facility licensed and inspected by the commissioner of corrections, established and operated for the detention and confinement

of adults or juveniles, including but not limited to programs or facilities operating under chapter 401, secure juvenile detention facilities, municipal holding facilities, juvenile temporary holdover facilities, regional or local jails, lockups, work houses, work farms, and detention facilities.

(f) "District court" means one of the ten judicial district courts in the state of Minnesota subject to chapter 484.

(g) "Law enforcement center" means a facility that serves multiple communities and provides public safety functions, including a fire or police station and a facility that provides emergency 911 and dispatch functions, training facilities, court security and support, emergency operations, evidence and record retention, and other public safety services.

(h) "Library" means a library that is part of a regional public library system as designated by the regional library board under section 134.20, excluding a library located within a metropolitan county.

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

(j) "Park" means a park located entirely outside of a metropolitan county that meets the criteria of regional significance under section 85.536, subdivision 6.

(k) "Political subdivision" means a county located in Minnesota or a statutory or home rule charter city located in Minnesota.

(l) "Regional community center" means a structure that is expressly designed and constructed for the purposes of recreational, cultural, educational, or public group activities, or for civic engagement or social support, serving both residents and nonresidents of the community.

(m) "Regional sports complex" means:

(1) a defined area of sports pavilions, stadiums, gymnasiums, swimming pools, or similar facilities where regional tournaments may be hosted, and where members of the public engage in physical exercise, participate in athletic competitions, witness sporting events, and host regional tournaments; and

(2) which, if located outside the metropolitan area, is more than 15 miles from the nearest existing regional sports complex.

(n) "Qualified recipient" has the meaning given in section 297A.9903, subdivision 1, paragraph (l).

(o) "Specified capital project" means a convention center, correctional facility, district court, law enforcement center, library, park, regional community center, regional sports complex, or trail.

(p) "Trail" means:

(1) a trail of regional significance located entirely outside of a metropolitan county that meets at least three of the criteria specified in items 1 to 5 in the Department of Natural Resources Parks and Trails Legacy Plan dated February 14, 2011, required by Laws 2009, chapter 172, article 3, section 2, paragraph (e); or

(2) a nonstate designated regional or state trail that provides at least an hour of outdoor recreation opportunity or connects to other facilities that can provide at least an hour of recreation in total:

(i) for which the trail or trail extension connects to regional defined assets including a regionally designated park or higher education institution;

(ii) is included in a regional or community trail system plan; or

(iii) connects spaces of 25 acres to other trails or commercial areas.

Subd. 2. **Policy; requirements.** It is the public policy of the state of Minnesota that local sales taxes are to be used instead of traditional local revenues only for construction and rehabilitation of capital projects when a clear regional benefit beyond the taxing jurisdiction can be demonstrated. Capital projects funded by local sales taxes must serve a regional population, provide economic development benefits and opportunities, or draw individuals to the region. If charged, access fees for the use of capital projects funded by a local sales tax must be equal for residents and nonresidents of the taxing jurisdiction.

Subd. 3. **Local authorization allowed.** Notwithstanding section 477A.016, or any other law or ordinance, a political subdivision may impose, extend, or modify the uses of a local sales tax to finance a specified capital project without legislative authorization by demonstrating the regional significance of each specified capital project as provided in subdivisions 4 to 6. The authorization under this section applies to an extension to or modification of a local sales tax authorized under special law or the requirements of section 297A.99.

Subd. 4. **Regional community centers; regional sports complexes.** To impose a local sales tax to fund construction or remodeling of or improvements to a regional community center or regional sports complex, a political subdivision must:

7.1 (1) demonstrate that the regional community center meets the requirements of subdivision
7.2 1, paragraph (l); or

7.3 (2) demonstrate that the regional sports complex meets the requirements of subdivision
7.4 1, paragraph (m); and

7.5 (3) conduct and present an analysis of the surrounding region to demonstrate that there
7.6 is no similar facility open to nonresidents at the same cost as to residents.

7.7 Subd. 5. **Criminal justice facilities.** (a) To impose a local sales tax to fund construction
7.8 or remodeling of or improvements to a correctional facility, a political subdivision must
7.9 demonstrate the need for the facility by providing:

7.10 (1) official documentation of the age of the facility; and

7.11 (2)(i) official correspondence from the Department of Corrections that includes an
7.12 analysis of the facility and description of the improvements or updates needed; or

7.13 (ii) if the facility is a joint project between two or more counties, the joint powers
7.14 agreement or other official documentation between at least one other county demonstrating
7.15 that the facility will serve public safety functions for the region.

7.16 (b) To impose a local sales tax to fund construction or remodeling of or improvements
7.17 to a district court office, a political subdivision must demonstrate the need for the facility
7.18 by providing the age of the facility and a description of improvements needed.

7.19 (c) To impose a local sales tax to fund construction or remodeling of or improvements
7.20 to a law enforcement center, a political subdivision must provide resolutions from
7.21 surrounding counties, statutory or home rule charter cities, or townships affirming that the
7.22 functions of the law enforcement center will meet the needs of the surrounding county,
7.23 statutory or home rule charter city, or township.

7.24 Subd. 6. **Convention centers; parks and trails.** (a) To impose a local sales tax to finance
7.25 construction or remodeling of or improvements to a convention center, a political subdivision
7.26 must demonstrate that the convention center meets the requirements of subdivision 1,
7.27 paragraph (d).

7.28 (b) To impose a local sales tax to finance construction of or improvements to a park, a
7.29 political subdivision must demonstrate how the project meets the criteria described in
7.30 subdivision 1, paragraph (j).

8.1 (c) To impose a local sales tax to finance construction of or improvements to a trail, a
8.2 political subdivision must demonstrate how the project meets the criteria described in
8.3 subdivision 1, paragraph (p).

8.4 Subd. 7. **Demonstration of regional benefit; public hearing.** (a) A political subdivision
8.5 seeking to impose a local sales tax must conduct a public hearing to provide information
8.6 regarding each specified capital project the political subdivision proposes to fund with the
8.7 local sales tax. Notice of the hearing must be provided at least 30 days in advance of the
8.8 hearing and must include:

8.9 (1) the tax rate;

8.10 (2) a description of each project proposed to be funded by the local sales tax; and

8.11 (3) the amount of tax revenue that would be used for each project and the estimated time
8.12 needed to raise that amount of revenue.

8.13 (b) The public must be allowed to speak at the hearing required under paragraph (a).
8.14 The hearing must not be held before 6:00 p.m. The political subdivision must provide a
8.15 website address and a telephone number for the political subdivision that members of the
8.16 public may call if they have questions related to the notice and an address where comments
8.17 will be received by mail, except that no notice required under this paragraph shall be
8.18 interpreted as requiring the printing of a personal telephone number or address as the contact
8.19 information for a political subdivision. If a political subdivision does not maintain a website
8.20 or public offices where telephone calls can be received by the political subdivision, the
8.21 notice of the hearing required under paragraph (a) must indicate that the political subdivision
8.22 does not maintain a website or public offices where telephone calls can be received by the
8.23 political subdivision.

8.24 (c) Political subdivisions are encouraged to obtain demonstrations of support, including
8.25 letters, resolutions, or other official documentation, of each specified capital project to be
8.26 funded with revenue from a local sales tax from adjacent political subdivisions and townships.
8.27 For purposes of this paragraph, a county in which a statutory or home rule charter city or a
8.28 township is located and a statutory or home rule charter city or township located within a
8.29 county qualifies as "adjacent."

8.30 Subd. 8. **Resolution required.** (a) After conducting the public hearing required under
8.31 subdivision 7, paragraphs (a) and (b), and before the governing body of a political subdivision
8.32 seeks voter approval to impose a local sales tax, the governing body shall adopt a resolution
8.33 indicating its approval of the tax. The resolution must include:

- 9.1 (1) the proposed tax rate;
- 9.2 (2) a detailed description of no more than three projects to be funded with revenue from
- 9.3 the tax;
- 9.4 (3) documentation of the regional significance of each project, including:
- 9.5 (i) the share of the economic benefit to or use of each project by persons residing or
- 9.6 businesses located outside of the jurisdiction;
- 9.7 (ii) demonstration that the project meets the requirements of the applicable definitions
- 9.8 in subdivision 1; and
- 9.9 (iii) if applicable, demonstration of support as described in subdivision 7, paragraph (c);
- 9.10 (4) the amount of local sales tax revenue that would be used for each project and the
- 9.11 estimated time needed to raise that amount of revenue, inclusive of, if applicable, the
- 9.12 contribution share to qualified recipients; and
- 9.13 (5) the total revenue that will be raised for all projects before the tax expires and the
- 9.14 estimated length of time that the tax will be in effect if all proposed projects are funded.
- 9.15 (b) The jurisdiction seeking authority to impose a local sales tax by special law must
- 9.16 submit the resolution and the documentation required under paragraph (a) to the
- 9.17 commissioner pursuant to section 297A.9902.
- 9.18 Subd. 9. **Voter approval required.** (a) Imposition of a local sales tax under this section
- 9.19 is subject to approval by voters of the political subdivision at a general or special election.
- 9.20 The election must be held within two years of the date the political subdivision receives
- 9.21 approval from the commissioner under section 297A.9902 or the date the political subdivision
- 9.22 receives legislative authorization under special law. A political subdivision may choose to
- 9.23 conduct the election at a general or special election held on the first Tuesday after the first
- 9.24 Monday in November. There must be a separate question approving the use of the tax
- 9.25 revenue for each project. A project that is not approved by the voters may not be funded
- 9.26 with the local sales tax revenue. For purposes of this section, "general election" and "special
- 9.27 election" have the meanings given in section 200.02, except that a general election or special
- 9.28 election held under this section must be held on the first Tuesday after the first Monday in
- 9.29 November.
- 9.30 (b) Each ballot question presented to voters must include:

10.1 (1) a description of each specified capital project, including acknowledgment of any
10.2 state mandate for a government service that necessitates the construction of the project, if
10.3 applicable;

10.4 (2) acknowledgment that the political subdivision is seeking authorization from voters
10.5 to impose the sales tax;

10.6 (3) the total cost of each capital project;

10.7 (4) the start date of the project and total project cost that may be generated for a period
10.8 lasting no longer than 30 years;

10.9 (5) the tax rate;

10.10 (6) acknowledgment that the total project cost may increase by up to percent and
10.11 the duration of imposition of the tax may increase by up to years;

10.12 (7) a statement that by voting "yes" the voter is voting for the tax at the rate specified
10.13 in clause (5) to:

10.14 (i) impose a new local sales tax;

10.15 (ii) increase a local sales tax; or

10.16 (iii) extend a local sales tax that would otherwise expire.

10.17 (c) The ballot language must not contain any statement that informs voters that by voting
10.18 "no" the voter acknowledges that the project subject to approval in the question may be
10.19 funded by increased property taxes.

10.20 Subd. 10. **Administration; termination.** (a) The proceeds of the tax must be dedicated
10.21 exclusively to payment of the construction and rehabilitation costs and associated bonding
10.22 costs related to the specified capital projects approved by the voters under subdivision 9,
10.23 paragraph (a), and, if applicable, contribution share issued to a political subdivision that is
10.24 a contributor for which no qualified recipient exists equalization distributions. The political
10.25 subdivision must not commingle revenue from a tax approved by the voters under this
10.26 section with revenue from a local sales tax authorized under section 297A.99 or any other
10.27 law, ordinance, city charter, or other provision, including an extension of or modification
10.28 to the uses of a local sales tax for a different project.

10.29 (b) The political subdivision imposing the tax must notify the commissioner at least 90
10.30 days before the date the political subdivision anticipates that revenues raised from the tax
10.31 are sufficient to fund the projects approved by the voters under subdivision 9, paragraph
10.32 (a). The notification applies to each authorization of a tax and each project approved by the

11.1 voters under subdivision 9, paragraph (a), regardless of whether the legislature has authorized
11.2 the tax notwithstanding the requirements of paragraph (c). The tax must terminate after the
11.3 revenues raised are sufficient to fund the projects approved by the voters under subdivision
11.4 9, paragraph (a). The political subdivision must notify the commissioner within 30 days of
11.5 the date that sufficient revenues have been raised to fund the projects approved by the voters
11.6 under subdivision 9, paragraph (a).

11.7 (c) After a sales tax imposed by a political subdivision has expired or been terminated,
11.8 the political subdivision is prohibited from imposing a local sales tax for a period of one
11.9 year.

11.10 (d) If a tax is terminated because sufficient revenues have been raised, any amount of
11.11 tax collected after sufficient revenues have been raised and before the quarterly termination
11.12 required under section 297A.99, subdivision 12, paragraph (a), that is greater than the
11.13 average quarterly revenues collected over the immediately preceding 12 calendar months,
11.14 must be retained by the commissioner for deposit in the general fund.

11.15 Subd. 11. **Other provisions apply.** (a) The provisions of section 297A.99, subdivisions
11.16 1, paragraph (d), and 4 to 13, apply to taxes authorized under this subdivision.

11.17 (b) All contracts for construction of specified capital projects under this section that are
11.18 located in a metropolitan county are subject to the requirement to pay the prevailing wage
11.19 rate, as defined in section 177.42, subdivision 6, and to the requirements and enforcement
11.20 provisions of sections 177.27, 177.30, 177.32, 177.41 to 177.435, 177.44, and 177.45. For
11.21 purposes of complying with sections 177.30, paragraph (a), clauses (6) and (7), and 177.41
11.22 to 177.435, the political subdivision imposing the tax is the contracting authority and
11.23 contracting agency and the project is considered a public works project.

11.24 (c) The total tax rate imposed by a political subdivision under this section and section
11.25 297A.99 must not exceed one-half of one percent.

11.26 (d) If a county imposes a tax under section 297A.993, the total amount of tax imposed
11.27 by the county under paragraph (c) and section 297A.993 must not exceed one percent.

11.28 (e) The maximum collection period for a tax imposed under this section is the earlier of
11.29 the amount of time necessary to collect the revenue equal to the cost of the specified capital
11.30 projects approved by the voters, including as associated bonding costs, or 30 years.

11.31 Subd. 12. **Bonds; authorization.** (a) A political subdivision may issue bonds under
11.32 chapter 475 to finance all or a portion of the costs of a specified capital project. The aggregate
11.33 principal amount of bonds issued must not exceed the cost of a qualifying capital project

12.1 approved by the voters, plus associated bonding costs. The bonds may be paid from or
12.2 secured by any funds available to the political subdivision, including the tax authorized
12.3 under this section and approved by the voters. The issuance of bonds under this subdivision
12.4 is not subject to sections 275.60 and 275.61.

12.5 (b) A separate election to approve the bonds under section 475.58 is not required.

12.6 Subd. 13. **Filing and imposition requirements.** (a) A political subdivision that has
12.7 received approval to impose a tax from the commissioner under this section must file a
12.8 certificate of local approval with the secretary of state within 60 days after receiving voter
12.9 approval for the tax to be lawfully imposed. If the tax is approved by the voters, the political
12.10 subdivision must impose the tax within 15 months of receiving the voter approval. If the
12.11 tax is not imposed within 15 months, the authority to impose the tax under this section
12.12 expires.

12.13 (b) If, after receiving voter approval, a political subdivision cancels a project approved
12.14 by the voters, the political subdivision must notify the commissioner. The commissioner
12.15 must proportionately decrease the maximum amount of tax revenue the political subdivision
12.16 may collect. If the political subdivision has already collected revenue for the canceled
12.17 project, the political subdivision must return the funds to the commissioner for deposit to
12.18 the general fund. The political subdivision must use any other source of revenue available
12.19 to pay any outstanding debt on the bonds that were issued for the canceled project.

12.20 Subd. 14. **Allowance for inflation.** (a) Before the expiration of the 15-month period
12.21 under subdivision 13, paragraph (a), a political subdivision may increase the amount approved
12.22 by the voters to finance the specified capital project or the amount of time the tax may be
12.23 imposed as approved by the voters to collect revenues sufficient to fund the specified capital
12.24 project, or both.

12.25 (b) The total cost of the specified project as approved by the voters under subdivision
12.26 9, paragraph (b), clause (3), may be increased by the greater of:

12.27 (1); or

12.28 (2) plus the rate of change in inflation according to the Producer Price Index for
12.29 New Nonresidential Building Construction published by the Bureau of Labor Statistics for
12.30 the period beginning and ending

12.31 (c) A political subdivision exercising the options under paragraphs (a) and (b) must
12.32 adopt a resolution documenting the need for the increase in project cost or duration of
12.33 imposition of the tax, or both. The political subdivision must file the resolution with the

13.1 commissioner and the within days of adopting the resolution, but not after the
13.2 15-month period under subdivision 13, paragraph (a), has expired.

13.3 Subd. 15. **Collection and retention.** (a) The commissioner shall remit the proceeds of
13.4 the tax, less refunds and a proportionate share described in clauses (1) and (2), at least
13.5 quarterly, to the political subdivision. The commissioner shall deduct from the proceeds
13.6 distributed to a political subdivision an amount that equals:

13.7 (1) not more than one percent for the direct and indirect costs of the department to
13.8 administer, audit, and collect the tax, of which a portion must be used for the cost of
13.9 constructing and maintaining a zip code or geocode database necessary for local sales tax
13.10 collections under the Streamlined Sales and Use Tax Agreement in section 297A.995; and

13.11 (2) the political subdivision's contribution share of the amount to be paid under section
13.12 297A.9903, pursuant to the requirements of subdivision 16.

13.13 (b) The revenue under paragraph (a), clause (1), must be deposited into the Revenue
13.14 Department service and recovery special revenue fund established under section 270C.15.

13.15 (c) The revenue retained under paragraph (a), clause (2), must be deposited into the local
13.16 sales tax equalization distribution account.

13.17 Subd. 16. **Contribution share.** The amount of tax that the commissioner must retain
13.18 under subdivision 15, paragraph (a), clause (2), is equal to:

13.19 (1) five percent for a political subdivision whose tax is authorized and imposed under
13.20 this section;

13.21 (2) five percent for a political subdivision that amends, extends, or otherwise modifies
13.22 a tax that was authorized and imposed by special law before July 1, 2025; or

13.23 (3) eight percent for a political subdivision that is authorized by special law to impose
13.24 a new tax after June 30, 2025.

13.25 Subd. 17. **Accounts established; transfer.** The local sales tax equalization distribution
13.26 account is established in the special revenue fund. Funds in the account must be distributed
13.27 in accordance with section 297A.9903.

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

13.29 Sec. 5. **[297A.9902] LOCAL SALES TAXES; OVERSIGHT.**

13.30 (a) A political subdivision seeking to impose a local sales tax under the provisions of
13.31 section 297A.9901 must file a copy of the resolution and documentation required under

section 297A.9901, subdivision 8, paragraph (a), clause (3), with the commissioner by October 31 of the first year before the political subdivision seeks voter approval of the tax.

(b) The commissioner must verify whether a project included in the submission under paragraph (a) meets the requirements of section 297A.9901, subdivisions 1 and 4 to 8. By January 10 of the first year in which the political subdivision must seek voter approval of a local sales tax authorized under section 297A.9901, subdivision 9, paragraph (a), the commissioner must notify the political subdivision of the commissioner's determination.

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

Sec. 6. [297A.9903] LOCAL SALES TAX EQUALIZATION DISTRIBUTIONS.

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

(b) "City" means a statutory or home rule charter city.

(c) "City sharing pool" means a city or cities that are qualified recipients of a distribution from the same contributor's contribution share. For a contributor that is a city located in a metropolitan county, the city sharing pool consists of cities that are qualified recipients and are contiguous to the contributor. For a contributor that is a city located outside of a metropolitan county, the city sharing pool consists of cities that are qualified recipients and are located in the same county as the contributor.

(d) "Commissioner" means commissioner of revenue.

(e) "Contribution share" means the percentage of the total local sales taxes that were collected by a political subdivision in the previous calendar year pursuant to section 297A.9901, subdivision 16.

(f) "Contributor" means a political subdivision that:

(1) authorizes and imposes a local sales tax under section 297A.9901;

(2) amends, extends, or otherwise modifies a tax that was authorized before July 1, 2025;

or

(3) is authorized by special law to impose a new tax after June 30, 2025.

(g) "County sharing pool" means a county or counties that are qualified recipients of a distribution from the same contributor's contribution share. For a county that is a contributor, the sharing pool consists of counties that are qualified recipients and are contiguous to the contributor.

15.1 (h) "Local sales tax" means:

15.2 (1) a local sales tax imposed under section 297A.9901;

15.3 (2) a local sales tax imposed under section 297A.99; or

15.4 (3) a local sales tax imposed under special law.

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

15.6 (j) "Political subdivision" has the meaning given in section 297A.9901, subdivision 1,
15.7 paragraph (j).

15.8 (k) "Population" means the population estimated or established, as of January 1 in the
15.9 year distributions under this section are calculated, by the most recent federal census; by a
15.10 special census conducted under contract with the United States Bureau of the Census; or
15.11 by a population estimate of the state demographer made pursuant to section 4A.02, whichever
15.12 is the most recent.

15.13 (l) "Qualified recipient" means a political subdivision that is qualified to receive a
15.14 distribution under this section and:

15.15 (1) does not meet the definition of contributor;

15.16 (2) did not impose a local sales tax in the prior calendar year; and

15.17 (3) is:

15.18 (i) a city that is:

15.19 (A) contiguous to a city located in a metropolitan county and included in the definition
15.20 of contributor in the prior calendar year; or

15.21 (B) located in a county outside of the metropolitan area where at least one city is included
15.22 in the definition of contributor in the prior calendar year; or

15.23 (ii) a county that is contiguous to a county that is included in the definition of contributor
15.24 in the prior calendar year.

15.25 Subd. 2. **Contribution share.** The commissioner must annually retain each contributor's
15.26 contribution share.

15.27 Subd. 3. **Distribution share; requirements.** (a) In order to receive a distribution share,
15.28 a qualified recipient must adopt a resolution supporting a proposed local sales tax
15.29 implemented by a contributor to the commissioner by October 31 of the year before the
15.30 contributor seeks voter approval of the tax.

(b) The commissioner must divide each contributor's contribution share among all qualified recipients in the contributor's city sharing pool or county sharing pool, in proportion to the population of the political subdivisions in the sharing pool. A qualified recipient's distribution is the sum of the shares from all eligible sharing pools.

Subd. 4. **Certification.** The commissioner must annually calculate and certify each political subdivision's contribution share and each qualified recipient's distribution based on local sales taxes collected in the prior calendar year. If no qualified recipients exist for a political subdivision that is a contributor, the contribution share retained under subdivision 2 shall be paid to that political subdivision, and those funds shall be subject to the requirements under section 297A.9901, subdivision 10, paragraph (a). The commissioner must provide notice of the certification to each political subdivision by January 31.

Subd. 5. **Payment.** By March 15 annually, the commissioner of revenue must pay to each qualified recipient the distribution or contribution share certified under subdivision 4.

Subd. 6. **Appropriation.** The amount required to make distributions under this section is appropriated from the local sales tax equalization distribution account established under section 297A.9901, subdivision 17, to the commissioner of revenue.

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

Sec. 7. **REPEALER.**

Minnesota Statutes 2024, section 297A.99, subdivision 3a, is repealed.

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

297A.99 LOCAL SALES TAXES.

Subd. 3a. **Temporary moratorium.** (a) Notwithstanding subdivisions 1, 2, and 3, until after May 31, 2025, a political subdivision may not engage in any of the following activities in connection with imposing a new local sales and use tax or modifying an existing local sales and use tax:

- (1) any activity described in subdivision 1, paragraph (d);
- (2) adopt a resolution; or
- (3) seek voter approval.

(b) Paragraph (a) does not apply to new local sales and use taxes or modifications to existing local sales and use taxes authorized in May, 2023.

(c) This subdivision expires June 1, 2025.