



S.F. No. 375 – Modifications to local sales tax enactment requirements (as proposed to be amended by the A-5 amendment)

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This bill modifies the process by which local units of government (cities and counties) may enact local sales tax. Local governments may impose a local sales tax without receiving legislative authorization if the project funded by the sales tax meets criteria established in the bill, including meeting specific project requirements, receiving voter approval, and timely filing certification of local approval with the Secretary of State. The bill also establishes a revenue sharing requirement for cities that impose a local sales tax under the proposed structure.

Section 1. Authorization; scope. Provides that the section of statute currently governing local sales taxes applies to sales taxes enacted before July 1, 2025. Effective the day following final enactment.

Section 2. Requirements. Strikes language in current law regarding the benefits of local sales taxes in relation to property taxes and property tax refunds. Effective the day following final enactment.

Section 3. Legislative authority required before voter approval; requirements for adoption, use, termination. Makes modifications to the statute governing currently authorized local sales taxes:

- Strikes unnecessary language requiring a reduction in the duration of a tax imposed if not all projects authorized under a special law are approved by the voters.
- Prohibits political subdivisions from commingling tax revenues for a project approved by the voters with revenue from a tax authorized under the new section of statute established in section 4 or any other law, ordinance, or city charter, including an extension of or modification to the uses of the tax for a different project.
- Requires a political subdivision to notify the commissioner and at least 90 days before the political subdivision anticipates that revenues raised from a local sales tax are sufficient to fund each project approved by the voters. Also requires a political subdivision to notify the commissioner within 30 days of the date that sufficient revenues have been raised to fund the projects approved by the voters.
- Strikes obsolete language pertaining to local sales taxes for which voter approval was received in 2018.

- Limits the total tax rate imposed under this section and the new provisions of section 4 to .5%. This limit would not apply to taxes prior to June 1, 2023, but upon expiration of a tax authorized under this section, the .5% limit applies.
- Provides that counties may impose a local sales tax at the maximum rate of .5% described above in addition to the maximum .5% county transportation sales tax allowed under current law.

Effective the day following final enactment.

Section 4. Specified capital projects; local authorization allowed; requirements. This section establishes the requirements for a political subdivision to impose a local sales tax without legislative authorization.

Subd. 1. Definitions. Defines terms applicable to the section. Facilities funded by a local sales tax not requiring legislative approval must meet the definitions in this subdivision.

Subd. 2. Policy; requirements. Provides general policy statements regarding local sales taxes. Requires that access fees for facilities funded by local sales taxes must be equal for residents and nonresidents.

Subd. 3. Local authorization allowed. Allows a political subdivision to impose a local sales tax without legislative authorization by demonstrating the regional significance of a capital project as provided in this section. These provisions also apply to an extension of or modification to a local sales tax authorized under provisions of current law.

Subd. 4. Regional community centers; regional sports complexes. Requires political subdivisions seeking to impose a local sales tax to fund a regional community center or regional sports complex to demonstrate the regional nature of the project, as those facilities are defined in subdivision 1, and conduct and present an analysis of the surrounding region to demonstrate that there is no similar facility open to nonresidents at the same cost as residents.

Subd. 5. Criminal justice facilities. Specifies the requirements for a political subdivision to impose a local sales tax to fund a correctional facility, district court office, or law enforcement center, as those terms are defined in subdivision 1. In particular, a political subdivision seeking to impose a local sales tax to fund a law enforcement center must provide resolutions of support from surrounding communities.

Subd. 6. Convention centers; parks and trails. Specifies the requirements for a political subdivision to impose a local sales tax to fund these facilities, as those terms are defined in subdivision 1.

Subd. 7. Demonstration of regional benefit; public hearing. Requires a political subdivision to conduct a public hearing to provide information regarding each specified capital project that the political subdivision proposes to fund with a local sales tax. Specifies requirements for notice of the hearing. States that political subdivisions are encouraged to obtain demonstrations of support of a proposed local sales tax from adjacent political subdivisions and townships.

Subd. 8. Resolution required. Requires the governing body of the political subdivision to adopt a resolution indicating its approval of the tax and specifies the contents of the resolution. Requires the political subdivision to submit the resolution and supporting documentation to the commissioner under the provisions of section 5.

Subd. 9. Voter approval required. Requires a political subdivision to seek voter approval of a local sales tax at a general election or special election held within two years of the date it submits the resolution and documentation under subdivision 8. Each project proposed to be funded by a local sales tax must be stated in a separate question. Specifies the requirements of the ballot question to approve a local sales tax. In particular, the ballot language must not contain a statement that informs voters that by voting “no” the voter acknowledges that the project may be funded by increased property taxes.

Subd. 10. Administration; termination.

- Requires that tax revenues must be dedicated exclusively to construction and rehabilitation and associated bonding costs related to the specific capital projects approved by the voters, and, if applicable equalization distributions governed under section 6.
- Prohibits political subdivisions from commingling tax revenues for a project approved by the voters with revenue from a tax authorized under this section or current law governing local sales taxes or any other law, ordinance, or city charter, including an extension of or modification to the uses of the tax for a different project.
- Requires political subdivisions to notify the commissioner at least 90 days before the date the political subdivision anticipates that revenues raised from the tax are sufficient to fund the projects approved by the voters. Requires the tax to terminate after sufficient revenues have been raised to fund the projects approved by the voters. The political subdivision must notify the commissioner within 30 days of the date sufficient revenues have been raised.
- Establishes a one-year moratorium on imposing a new local sales tax after a tax imposed under this section has been terminated.
- Provides that if a tax is terminated because sufficient revenues have been raised and before the quarterly termination required under current law, any amount collected that is greater than the average quarterly revenue collected over the last 12 months must be retained by the commissioner for deposit to the general fund.

Subd. 11. Other provisions apply. References provisions of current local sales tax law that apply to local sales taxes authorized under this section. Limits the total tax rate imposed under this section to .5%. This limit would not apply to taxes authorized prior to June 1, 2023, but upon expiration of a tax authorized prior to that date, the .5% limit applies. Counties may impose a local sales tax at the maximum rate of .5% described above in addition to the maximum .5% county transportation sales tax allowed under current law.

Subd. 12. Bonds; authorization. Provides that municipal debt limits under current law apply to bonds issued for projects under this section. Establishes the maximum amount of time that a tax may be imposed as the earlier of 30 years or the time necessary to collect sufficient revenue to fund the specified capital projects, plus associated bonding costs.

Subd. 13. Filing and imposition requirements. Requires political subdivisions that have received voter approval to impose a local sales tax file a certificate of local approval with the secretary of state within 60 days of the approval. The tax must be imposed within 15 months of receiving voter approval, or the authority to impose the tax expires.

Subd. 14. Allowance for inflation. Allows an increase of up an unspecified amount of the amount for increased project costs or an unspecified number of years of tax collection, as

those were approved by the voters (or both), if the political subdivision adopts a resolution approving those amounts before 15-month tax imposition period expires. The duration extension would not apply to voter-approved taxes that would be imposed for the maximum amount of 30 years. The political subdivision must file the resolution with the commissioner within an unspecified number of days after adoption but before the 15-month period has expired.

Subd. 15. Collection and retention. Requires the commissioner to remit tax proceeds at least quarterly to the political subdivision, less not more than 1% for administrative costs, and, if the political subdivision is a city, less a 5% or 8% contribution share.

Subd. 16. Contribution share. Requires the commissioner to retain 5% of local sales tax revenues for cities imposing a tax under the requirements of this section or extending an existing tax under the requirements of this section, and 8% for cities authorized to impose a local sales tax under special law.

Subd. 17. Accounts established; transfer. Establishes the local sales tax equalization distribution account in the special revenue fund and requires distributions from the account under the provisions of section 6.

Effective the day following final enactment.

Section 5. Local sales taxes; oversight. Requires that a political subdivision seeking to impose a local sales tax submit the resolution and documentation required under section 4 to the commissioner by October 31 of the year before the political subdivision seeks voter approval of the tax. Requires the commissioner to verify whether a project included in the submission meets the criteria specified in section 4 and to notify the political subdivision of the determination by January 10 of the first year the political subdivision may seek voter approval of the local sales tax.

Section 6. Local sales tax equalization distributions.

Subd. 1. Definitions. Defines the following terms: city, sharing pool, commissioner, contribution share, contributor, local sales tax, metropolitan county, population, and qualified recipient.

Subd. 2. Contribution share. Requires the commissioner of revenue to annually retain the contribution share of each city included in the definition of contributor. Requires the commissioner to designate, for each contributor, a sharing pool for each county in which the contributor is located. The commissioner must allot a contributor's contribution share among the contributor's sharing pools proportionally to its population in each county in which it is located.

Subd. 3. Distribution share; requirements.

- Requires qualified recipients to adopt a resolution supporting a proposed local sales tax imposed by a contributor in order to receive a distribution share.
- Requires the commissioner to divide each contributor's sharing pools among qualified recipients:
 - For a contributor's sharing pool for a metropolitan county, the pool is distributed among all qualified recipients that are contiguous to the contributor. The distribution is proportional to the population of qualified recipients in the sharing pool.
 - For a contributor's sharing pool for a county that is not a metropolitan county, the pool is distributed among all qualified recipients that are located in the same

county outside of the metropolitan area. The distribution is proportional to the share of each qualified recipient's population that resides in the sharing pool's county.

A qualified recipient's distribution is the sum of the distributions it receives from any sharing pool.

Subdivision 4. Certification. Requires the commissioner to annually calculate and certify each city's contribution share and qualified recipient's distribution shares, based on local sales taxes collected in the previous year. Establishes that a contributor shall be paid its contribution share if there are no qualified recipients of its contribution share. Requires the commission to provide notice of certification to each political subdivision by January 31.

Subdivision 5. Payment. Requires the commissioner to pay each qualified recipient the certified amount by March 15 annually.

Subdivision 6. Appropriation. Appropriates from the local sales tax equalization distribution account to the commissioner the amount required to make distributions under this section.

Effective the day following final enactment.



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