

SENATE
STATE OF MINNESOTA
NINETY-THIRD SESSION

S.F. No. 5424

(SENATE AUTHORS: REST)

DATE
04/11/2024

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Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act

1.2 relating to taxation; local sales and use; modifying requirements for enacting local

1.3 sales and use taxes; amending Minnesota Statutes 2022, section 297A.99,

1.4 subdivision 3; Minnesota Statutes 2023 Supplement, section 297A.99, subdivision

1.5 1; proposing coding for new law in Minnesota Statutes, chapter 297A; repealing

1.6 Minnesota Statutes 2023 Supplement, section 297A.99, subdivision 3a.

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

1.8 Section 1. Minnesota Statutes 2023 Supplement, section 297A.99, subdivision 1, is

1.9 amended to read:

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

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

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

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

1.14 predecessor provision.

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

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

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

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

1.19 provision from this section's rules by reference; or

1.20 (3) enacted before July 1, 2024.

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

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

1.23 unless it is imposed under section 297A.993.

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

2.4 (1) conduct the referendum;

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

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

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

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

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

2.16 Sec. 2. Minnesota Statutes 2022, section 297A.99, subdivision 3, is amended to read:

2.17 Subd. 3. **Legislative authority required before voter approval; requirements for**
2.18 **adoption, use, termination.** (a) A political subdivision must receive legislative authority
2.19 to impose a local sales tax before submitting the tax for approval by voters of the political
2.20 subdivision. Imposition of a local sales tax is subject to approval by voters of the political
2.21 subdivision at a general election. The election must be conducted at a general election within
2.22 the two-year period after the governing body of the political subdivision has received
2.23 authority to impose the tax. If the authorizing legislation allows the tax to be imposed for
2.24 more than one project, there must be a separate question approving the use of the tax revenue
2.25 for each project. Notwithstanding the authorizing legislation, a project that is not approved
2.26 by the voters may not be funded with the local sales tax revenue and the termination date
2.27 of the tax set in the authorizing legislation must be reduced proportionately based on the
2.28 share of that project's cost to the total costs of all projects included in the authorizing
2.29 legislation.

2.30 (b) The proceeds of the tax must be dedicated exclusively to payment of the construction
2.31 and rehabilitation costs and associated bonding costs related to the specific capital
2.32 improvement projects that were approved by the voters under paragraph (a). The political
2.33 subdivision must not commingle revenue from a tax for a project or projects approved by

3.1 the voters under this section with revenue from a tax authorized under section 297A.9901
3.2 or any other law, ordinance, city charter, or other provision, including an extension of or
3.3 modification to the uses of a tax for a different project.

3.4 (c) The political subdivision imposing the tax must notify the commissioner and the
3.5 state auditor at least 60 days before the date the political subdivision anticipates that revenues
3.6 raised from the tax are sufficient to fund the projects approved by the voters under paragraph
3.7 (a). The notification applies to each authorization of a tax and each project approved by the
3.8 voters under paragraph (a), regardless of whether the legislature has authorized the tax
3.9 notwithstanding the requirements of paragraph (d). The tax must terminate after the revenues
3.10 raised are sufficient to fund the projects approved by the voters under paragraph (a). The
3.11 political subdivision must notify the commissioner and the state auditor within 30 days of
3.12 the date that sufficient revenues have been raised to fund the projects approved by the voters
3.13 under paragraph (a).

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

3.17 ~~(e) Notwithstanding paragraph (a), if a political subdivision received voter approval to~~
3.18 ~~seek authority for a local sales tax at the November 6, 2018, general election and is granted~~
3.19 ~~authority to impose a local sales tax before January 1, 2021, the tax may be imposed without~~
3.20 ~~an additional referendum provided that it meets the requirements of subdivision 2 and the~~
3.21 ~~list of specific projects contained in the resolution does not conflict with the projects listed~~
3.22 ~~in the approving referendum. Beginning, the reporting requirements under section~~
3.23 297A.9902 apply to taxes authorized under special law or the requirements of section
3.24 297A.99.

3.25 (f) If a tax is terminated because sufficient revenues have been raised, any amount of
3.26 tax collected under subdivision 9, after sufficient revenues have been raised and before the
3.27 quarterly termination required under subdivision 12, paragraph (a), that is greater than the
3.28 average quarterly revenues collected over the immediately preceding 12 calendar months
3.29 must be retained by the commissioner for deposit in the general fund.

3.30 (g) The total tax rate imposed by a political subdivision under this section and section
3.31 297A.9901 must not exceed one percent, except that this limit does not apply to taxes
3.32 authorized under this section or any other law, ordinance, or city charter before June 1,
3.33 2023. Upon expiration of a tax authorized under this section or any other law, ordinance,

4.1 or city charter, the limit in this paragraph applies. If a local sales tax is imposed by a county,
4.2 the limit under this paragraph includes any tax authorized under section 297A.993.

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

4.4 Sec. 3. **[297A.9901] SPECIFIED CAPITAL PROJECTS; LOCAL AUTHORIZATION**
4.5 **ALLOWED; REQUIREMENTS.**

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

4.8 (b) "Airport" means an airport not subject to the governance of the metropolitan airports
4.9 commission organized under the provisions of sections 473.601 to 473.679.

4.10 (c) "Convention center" means a structure:

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

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

4.15 (d) "Correctional facility" means a public facility licensed and inspected by the
4.16 commissioner of corrections established and operated for the detention and confinement of
4.17 adults or juveniles, including but not limited to programs or facilities operating under chapter
4.18 401, secure juvenile detention facilities, municipal holding facilities, juvenile temporary
4.19 holdover facilities, regional or local jails, lockups, work houses, work farms, and detention
4.20 facilities.

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

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

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

4.30 (h) "Park" means a park of regional significance located entirely outside of a metropolitan
4.31 county that meets at least three of the criteria specified in items 1, 2, and 4 to 6 in the

5.1 Department of Natural Resources Parks and Trails Legacy Plan dated February 14, 2011,
5.2 required by Laws 2009, chapter 172, article 3, section 2, paragraph (e).

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

5.5 (j) "Prevailing wage rate" has the meaning given in section 177.42, subdivision 6.

5.6 (k) "Regional community center" means a structure that has a minimum of 10,000 square
5.7 feet that is expressly designed and constructed for the purposes of recreational, cultural,
5.8 educational, or public group activities, or for civic engagement or social support, serving
5.9 both residents and nonresidents of the community.

5.10 (l) "Regional sports complex" means a defined area of sports pavilions, stadiums,
5.11 gymnasiums, swimming pools, or similar facilities where regional tournaments may be
5.12 hosted, and where members of the public engage in physical exercise, participate in athletic
5.13 competitions, witness sporting events, and host regional tournaments.

5.14 (m) "Specified capital project" means an airport, convention center, correctional facility,
5.15 law enforcement center, library, park, regional community center, regional sports complex,
5.16 or trail.

5.17 (n) "Trail" means a trail of regional significance located entirely outside of a metropolitan
5.18 county that meets at least three of the criteria specified in items 1 to 5 in the Department of
5.19 Natural Resources Parks and Trails Legacy Plan dated February 14, 2011, required by Laws
5.20 2009, chapter 172, article 3, section 2, paragraph (e).

5.21 Subd. 2. **Policy; requirements.** It is the public policy of the state of Minnesota that local
5.22 sales taxes are to be used instead of traditional local revenues only for construction and
5.23 rehabilitation of capital projects when a clear regional benefit beyond the taxing jurisdiction
5.24 can be demonstrated. Capital projects funded by local sales taxes must serve a regional
5.25 population, provide economic development benefits and opportunities, or draw individuals
5.26 to the region. If charged, access fees for the use of capital projects funded by a local sales
5.27 tax must be equal for residents and nonresidents of the taxing jurisdiction. Use of local sales
5.28 tax revenues for local projects decreases the benefits to taxpayers of the deductibility of
5.29 local property taxes and the state assistance provided through the property tax refund system
5.30 and increases the fiscal inequities between similar communities.

5.31 Subd. 3. **Local authorization allowed.** Notwithstanding section 477A.016, or any other
5.32 law or ordinance, a political subdivision may impose, extend, or modify the uses of a local
5.33 sales tax to finance a specified capital project without legislative authorization by

6.1 demonstrating the regional significance of each specified capital project as provided in
6.2 subdivisions 4 to 7. The authorization under this section applies to an extension to or
6.3 modification of a local sales tax authorized under special law or the requirements of section
6.4 297A.99.

6.5 Subd. 4. **Demonstration of regional benefit; resolution required.** (a) A political
6.6 subdivision seeking to impose a local sales tax must conduct a public hearing to provide
6.7 information regarding each specified capital project the political subdivision proposes to
6.8 fund with the local sales tax. Notice of the hearing must be provided at least 60 days in
6.9 advance of the hearing and must include:

6.10 (1) the tax rate;

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

6.12 (3) the amount of tax revenue that would be used for each project and the estimated time
6.13 needed to raise that amount of revenue, inclusive of the amount distributed under subdivision
6.14 6, paragraph (a), clause (3), if that option is selected.

6.15 (b) After conducting the public hearing required under paragraph (a) and before the
6.16 governing body of a political subdivision seeks voter approval to impose a local sales tax,
6.17 the governing body shall adopt a resolution indicating its approval of the tax. The resolution
6.18 must include:

6.19 (1) the proposed tax rate;

6.20 (2) a detailed description of no more than three projects to be funded with revenue from
6.21 the tax;

6.22 (3) documentation of the regional significance of each project, including:

6.23 (i) the share of the economic benefit to or use of each project by persons residing, or
6.24 businesses located, outside of the jurisdiction; and

6.25 (ii) demonstration that the project meets the requirements of the applicable definitions
6.26 in subdivision 1;

6.27 (4) the amount of local sales tax revenue that would be used for each project and the
6.28 estimated time needed to raise that amount of revenue; and

6.29 (5) the total revenue that will be raised for all projects before the tax expires, and the
6.30 estimated length of time that the tax will be in effect if all proposed projects are funded.

7.1 (c) The jurisdiction seeking authority to impose a local sales tax by special law must
7.2 submit the resolution and the documentation required under paragraph (b) to the state auditor
7.3 pursuant to section 297A.9902.

7.4 Subd. 5. **Voter approval required.** (a) Imposition of a local sales tax under this section
7.5 is subject to approval by voters of the political subdivision at a general or special election.
7.6 The election must be held within two years of the date the political subdivision submits the
7.7 documentation required under subdivision 4, paragraph (c). A political subdivision may
7.8 choose to conduct the election at a general or special election held on the first Tuesday after
7.9 the first Monday in November. There must be a separate question approving the use of the
7.10 tax revenue for each project. A project that is not approved by the voters may not be funded
7.11 with the local sales tax revenue and the termination date of the tax must be reduced
7.12 proportionately based on the share of that project's cost to the total cost of all projects
7.13 presented to voters in the general or special election. For purposes of this section, "general
7.14 election" and "special election" have the meanings given in section 200.02, except that a
7.15 special election held under this section must be held on the first Tuesday after the first
7.16 Monday in November.

7.17 (b) Each ballot question presented to voters must include:

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

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

7.23 (3) the total cost of each capital project, inclusive of the amount required under
7.24 subdivision 6, paragraph (a), clause (3);

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

7.27 (5) the tax rate;

7.28 (6) a statement that by voting "yes" the voter is voting for the tax at the rate specified
7.29 in clause (5) to:

7.30 (i) impose a new local sales tax;

7.31 (ii) increase a local sales tax; or

7.32 (iii) extend a local sales tax that would otherwise expire; and

8.1 (7) in combination with the statement required under clause (6), a statement that by
8.2 voting "no" the voter acknowledges that the project subject to approval in the question may
8.3 be funded by increased property taxes.

8.4 (c) The proceeds of the tax must be dedicated exclusively to payment of the construction
8.5 and rehabilitation costs and associated bonding costs related to the specified capital projects
8.6 approved by the voters under paragraph (a). The political subdivision must not commingle
8.7 revenue from a tax approved by the voters under this section with revenue from a tax
8.8 authorized under section 297A.99 or any other law, ordinance, city charter, or other provision,
8.9 including an extension of or modification to the uses of a tax for a different project.

8.10 (d) The political subdivision imposing the tax must notify the commissioner and the
8.11 state auditor at least 60 days before the date the political subdivision anticipates that revenues
8.12 raised from the tax are sufficient to fund the projects approved by the voters under paragraph
8.13 (a). The notification applies to each authorization of a tax and each project approved by the
8.14 voters under paragraph (a), regardless of whether the legislature has authorized the tax
8.15 notwithstanding the requirements of paragraph (e). The tax must terminate after the revenues
8.16 raised are sufficient to fund the projects approved by the voters under paragraph (a). The
8.17 political subdivision must notify the commissioner and the state auditor within 30 days of
8.18 the date that sufficient revenues have been raised to fund the projects approved by the voters
8.19 under paragraph (a).

8.20 (e) After a sales tax imposed by a political subdivision has expired or been terminated,
8.21 the political subdivision is prohibited from imposing a local sales tax for a period of one
8.22 year.

8.23 (f) If a tax is terminated because sufficient revenues have been raised, any amount of
8.24 tax collected under subdivision 9, after sufficient revenues have been raised and before the
8.25 quarterly termination required under section 297A.99, subdivision 12, paragraph (a), that
8.26 is greater than the average quarterly revenues collected over the immediately preceding 12
8.27 calendar months, must be retained by the commissioner for deposit in the general fund.

8.28 **Subd. 6. Regional sports complexes; regional community centers.** (a) To impose a
8.29 local sales tax to fund construction or remodeling of, or improvements to, a regional sports
8.30 complex or regional community center, a political subdivision must:

8.31 (1) conduct an analysis of the surrounding region to demonstrate that there is no similar
8.32 regional sports complex or regional community center open to nonresidents at the same
8.33 cost as to residents;

9.1 (2) obtain resolutions adopted by at least two surrounding counties, statutory or home
9.2 rule charter cities, or townships affirming there is a local or regional need for the regional
9.3 sports complex or regional community center; or

9.4 (3) develop and present a model for the sharing of local sales tax revenues with
9.5 surrounding counties, statutory or home rule charter cities, or townships for projects that
9.6 meet needs of the counties, statutory or home rule charter cities, or townships.

9.7 (b) The political subdivision must submit documentation of the requirements of paragraph
9.8 (a) to the state auditor pursuant to the requirements of section 297A.9902.

9.9 Subd. 7. **Criminal justice facilities.** (a) To impose a local sales tax to fund construction
9.10 or remodeling of or improvements to a correctional facility, a political subdivision must
9.11 demonstrate the need for the facility by providing:

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

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

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

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

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

9.26 Subd. 8. **Convention centers; airports; parks and trails.** (a) To impose a local sales
9.27 tax to finance construction or remodeling of or improvements to a convention center, a
9.28 political subdivision must demonstrate that the convention center meets the requirements
9.29 of subdivision 1, paragraph (c).

9.30 (b) To impose a local sales tax to finance construction or remodeling of or improvements
9.31 to an airport, a political subdivision must demonstrate the regional necessity of the airport.

10.1 (c) To impose a local sales tax to finance construction of or improvements to a park, a
10.2 political subdivision must demonstrate how the project meets the criteria described in
10.3 subdivision 1, paragraph (h).

10.4 (d) To impose a local sales tax to finance construction of or improvements to a trail, a
10.5 political subdivision must demonstrate how the project meets the criteria described in
10.6 subdivision 1, paragraph (n).

10.7 Subd. 9. **Other provisions apply.** (a) The provisions of section 297A.99, subdivisions
10.8 4 to 13, apply to taxes authorized under this subdivision.

10.9 (b) The prevailing wage rate applies to all contracts for construction of specified capital
10.10 projects under this section.

10.11 (c) The total tax rate imposed by a political subdivision under this section and section
10.12 297A.99 must not exceed one percent. If a local sales tax is imposed by a county, the limit
10.13 under this paragraph includes any tax authorized under section 297A.993.

10.14 (d) The requirements of section 475.53 apply to bonds issued for projects under this
10.15 section.

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

10.17 Sec. 4. **[297A.9902] LOCAL SALES TAXES; OVERSIGHT.**

10.18 Subdivision 1. **Filing requirement.** (a) A political subdivision seeking to impose a local
10.19 sales tax under the provisions of section 297A.9901 must file a copy of the resolution and
10.20 documentation required under section 297A.9901, subdivision 4, paragraph (b), with the
10.21 commissioner and the state auditor by November 30 of the year before the political
10.22 subdivision seeks voter approval of the tax.

10.23 (b) The state auditor must verify whether a project included in the submission under
10.24 paragraph (a) meets the requirements of section 297A.9901, subdivisions 1 to 8. By January
10.25 10 of the year the political subdivision seeks voter approval of a local sales tax authorized
10.26 under section 297A.9901, the state auditor must notify the political subdivision of the state
10.27 auditor's determination. If the state auditor determines that a project does not meet the
10.28 requirements of section 297A.9901, the political subdivision may seek legislative
10.29 authorization for a local sales tax to finance the project under the provisions of section
10.30 297A.99.

10.31 Subd. 2. **Annual financial reporting.** (a) The state auditor shall develop a uniform
10.32 system of accounting and financial reporting for political subdivisions imposing a local

11.1 sales and use tax under sections 297A.99 and 297A.9901. The system of accounting and
 11.2 financial reporting shall, as nearly as possible:

11.3 (1) provide for full disclosure of the uses of local sales and use tax revenues;

11.4 (2) permit comparison and reconciliation with the political subdivision's accounts and
 11.5 financial reports;

11.6 (3) permit auditing of the funds expended on behalf of a political subdivision, including
 11.7 a single political subdivision that is part of a multi-jurisdictional project or that is funded
 11.8 in part or wholly through a local sales and use tax from other jurisdictions or with other
 11.9 public money; and

11.10 (4) be consistent with generally accepted accounting principles.

11.11 (b) The political subdivision must annually submit to the state auditor a financial report
 11.12 in compliance with paragraph (a). Copies of the report must also be provided to the auditor
 11.13 and governing body of the political subdivision. To the extent necessary to permit compliance
 11.14 with the requirement of financial reporting, the political subdivision and any other appropriate
 11.15 political subdivision or private entity must provide the necessary records or information to
 11.16 the state auditor as provided by the system of accounting and financial reporting developed
 11.17 pursuant to paragraph (a). The political subdivision must submit the annual report for a year
 11.18 on or before ... of the

11.19 (c) The annual financial report must also include the following items: ...

11.20 **EFFECTIVE DATE.** This section is effective July 1, 2025.

11.21 **Sec. 5. APPROPRIATION.**

11.22 (a) \$..... is appropriated from the general fund in fiscal year 2025 to the state auditor
 11.23 to implement the requirements of Minnesota Statutes, section 297A.9902.

11.24 (b) \$..... is annually appropriated in fiscal year 2026 and each year thereafter to
 11.25 implement the requirements of Minnesota Statutes, section 297A.9902.

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

11.27 **Sec. 6. REPEALER.**

11.28 Minnesota Statutes 2023 Supplement, section 297A.99, subdivision 3a, is repealed.

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

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.