



Meeting: Local Taxes Advisory Task Force Public Meeting

Date: 10/17/2023

Time: 1:00 p.m. – 2:00 p.m.

Location: Hybrid meeting in Stassen Building and via Teams

Task Force Attendees: Commissioner Paul Marquart (Chair), Members Lisa Bode, Pat Dalton, Jenny Max, Suyapa Miranda, Jill Sims, Michael Williams

Wilder Attendees: Heather Britt, Ananya Matewos

Agenda

- Welcome and Introductions (Chair Marquart) (5 min)
- Process Discussion (10 min):
 - Task Force members will determine a preferred process, schedule, and structure for future meetings.
- Public Testimony Reflection (10 min)
 - Key takeaways summarized by task force members
 - New questions that have emerged
 - Tensions that may need to be resolved via decision making and consensus building
- Knowledge Presentation (20 min):
 - Josh Sisterman and the Local Government Services Team about Local Taxes
- Debrief (15 min):
 - Task force members will ask questions and reflect on information presented based on what was learned, and how it shapes previous knowledge and questions
 - Task force will suggest future topics they want additional resources and presentations
 - *Task force will provide feedback on key sections of report from initial draft outline (tentative table)*
- Adjournment (Chair Marquart)

Notes

Welcome and Introductions

- Shared Recording and Tennesen Warning
- Wilder Research Introduction: Wilder Research is an independent unit of the Amherst H. Wilder Foundation. The Foundation was established in 1906. Through research and evaluation services, Wilder Research partners with organizations to measure and improve program effectiveness, identify needs and solutions, and make data-informed decisions that improve lives. They work with nonprofits, foundations, and government entities throughout Minnesota and the country. Wilder Research will facilitate meetings, take notes, research topics as needed, and summarize task force recommendations in the final report to the Legislature.
 - Heather Britt, Executive Director, Facilitator
 - Ananya Matewos, Research Manager, Co-facilitator
 - Online: Rachel Fields (Research Librarian) and Alissa Jones (Associate Director of Operations), note-takers
- Task Force Introductions:
 - Commissioner of Revenue Paul Marquart (Task Force Chair)
 - Lisa Bode (Public Member, City of Moorhead)
 - Pat Dalton (Public Member)
 - Jenny Max (League of Minnesota Cities, City of Nisswa)
 - Suyapa Miranda (Public Member, Prepare and Prosper Tax Clinic)
 - Jill Sims (Public Member, Hospitality Minnesota)
 - Michael Williams (Association of Minnesota Counties, Stearns County)

Process Discussion

- Audel Shokohzadeh emailed task force members regarding interviews with Wilder Research. Wilder Research will send invites by the end of this week.
- Member Dalton: Task Force (TF) has done a lot of listening and needs to move forward with discussion. TF does not have much time before the report needs to be written. Recommends going to weekly meetings.
- Chair Marquart: Confirmed there is no requirement regarding meeting frequency.
- Member Sims: Proposed lengthening meeting time to 3 hours, including a break.
- Member Max: Appreciates information shared previously, is looking for structure/guidance on developing recommendations, and is open to additional meetings and structure if needed.
- Member Williams: Agrees with need for more structure/facilitation in order to move towards decision-making.
- Member Miranda: Identified the need for shared language (e.g., what does equity mean to this committee?)

- Member Dalton: There may be some low hanging fruit for decision-making. For example, very few local lodging taxes have come to legislature. Maybe it's working as it is. It can go to the Legislature if someone wants an exception.
- Member Sims: Suggests the TF meet in-person.
- Member Williams: Is willing to come to St. Paul. Requested list of how local sales tax has been used.
- Member Bode: Is willing to come to St. Paul. Came in with one point of view, and that perspective has since been broadened. TF may feel restlessness, but it is helpful and natural. TF is moving in the right direction.

Public Testimony Reflection

- Member Williams: Liked the graph that showed property taxes are funding more and more of local government. [Estimated that] in 1996 property taxes were [approximately] 36% of local revenue, now it is [closer to] 50%. Not sure on exact numbers. Local governments want to diversify revenue stream. Inequities and regressivity are best reduced by income based tax. Still questions how to address equity between communities. Local governments' ability and desire to raise revenue and the level of services needed. The burden on the businesses to collect and remit tax. The suggestion to make payments to businesses, which may not address the problem- need to make the process more efficient.
- Member Sims: A long-term, fair, and equitable system is needed. There is a need for clarity so all can play in bounds of rules. Re-grounding in what is the purpose of the local special taxes.
- Member Max: Had similar takeaways to what was already mentioned. Agrees there is a desire for clarity and language that is clear, simplicity in process, and efficiency is good. Vendor allowance could be discussed more, but may be outside of this task force. In general, there has been perceived negativity toward cities, perhaps due to lack of clarity in the process. Cities are doing the best they can with what they have.
- Chair Marquart: Takeaways included clarity needed on guidelines and types of projects and the Legislature should not be involved.
- Member Dalton: There are distortive effects on land use zoning and local governments using it to increase sales tax base. This has not come up before, and not sure if it is an issue in Minnesota. The impact on cross-border shopping. How does adding local sales tax impact competitiveness? TF should consider vendor allowance, the more local sales tax allowed, the bigger the burden for businesses.
- Member Bode: The process is complex and it needs to be simple for the business community. Agree with vendor allowance and modernizing the tax collection. Prefer simple, automated process vs. a vendor allowance- can learn more from business community what they would want. Community wants more regional facilities, need them to be a viable residential option and regional center in Minnesota. For certain projects, they would have pursued bonding and not property taxes, but the bonding bill process involves advocacy and there are clear winners and losers. Cross-border shopping- North Dakota taxes clothing. Consumers aren't paying much attention to it. There are implications at various income levels, but the average consumer (\$26/year) isn't impacted.

Knowledge Presentation

- Josh Sisterman, Department of Revenue, Local Government Services Team

- Local Sales and Use Tax Statutes PowerPoint. Download [here](#)
- Topics covered include:
 - General Local Taxes (Minnesota Statute 297A.99)
 - Local Transportation Taxes (M.S. 297A.993)
 - Local Lodging Taxes (M.S. 469.190)
 - Other Special Local Taxes (Food, Beverage, Liquor, etc.)
 - Implementation of Local Taxes

Debrief

- Member Bode: We're asked to enter estimated time of collection and were held to that date throughout the process. Had to worry about timeframe on collection- had they known, they would have estimated much higher. Caused a lot of difficulty.
- Member Dalton: The cost of administering the local sales tax is supposed to come out of what you collect. What percent is being held by the State to cover the administrative costs? Does it vary by community?
 - Josh Sisterman: In process of updating that right now. It is a small percentage (1.35%). It did vary by community and caused inequities.
- Member Dalton: How many local lodging taxes are being collected by the state? Used to be 200+ but now it's a small number.
 - Josh Sisterman: 6-7 are administered by the State. They are for larger cities and smaller counties.

Adjournment

- The next meeting is Wednesday, Nov 1st
 - Agreed to 2 hour meeting, proposed 1:30 p.m. – 3:30 p.m.
- Wednesday, November 8th is public testimony