



# Local Sales and Use Tax Statutes

October 17, 2023

- 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](#)

# General Local Taxes

- Authorizing a General Local Tax
- Resolution Requirements
- Referendum Requirements
- Ordinance Requirements



# Authorizing a General Local Tax (M.S. 297A.99)

To impose a general local sales and use tax, local governments must:

1. Pass a resolution
2. Receive authorization from the Minnesota Legislature
3. Pass a referendum
4. Pass an ordinance

**Note:** Revenue administers all general local sales and use taxes

# Resolution Requirements (pt. 1)

Pass a resolution that includes:

- Proposed tax rate
- Amount of revenue to be raised for each project and time needed to raise funds
- Total amount of revenue to be raised for all projects
- Estimated length of time the tax will be in effect if all proposed projects are approved

# Resolution Requirements (pt. 2)

- Detailed description of up to five projects to be funded with the tax. Capital projects include:
  - Single building or structure, including associated infrastructure needed to safely access or use the building or structure
  - Improvements within a single park or named recreation area
  - Contiguous trail
- Documentation of how each project will provide an economic benefit to residents, businesses, and visitors from outside the jurisdiction

# Resolution Requirements (pt. 3)

- Submit the approved resolution and supporting documents to the Senate and House tax committee chairs by January 31
- The bills will be drafted, reviewed, and testimonies will be heard in both the House and Senate tax committees
- If passed, the bill will be considered for inclusion into an omnibus tax bill

# Referendum Requirements

Pass a referendum to impose the tax:

- Must hold a vote at a general election within two years of legislative approval
- Cannot spend money to advertise or promote the proposed tax
- May publicize information included in the resolution



# Ordinance Requirements

If referendum is approved:

1. Create and pass an ordinance imposing the tax
2. File a certificate of approval and a copy of the ordinance with the Minnesota Secretary of State
3. Notify the Commissioner of Revenue in writing to start a new tax

# Local Transportation Taxes



- Background
- Authorizing a Local Transportation Tax
- Resolution Requirements

- Counties may impose a local sales and use tax
- Tax rate of up to 0.5%
- \$20 vehicle excise tax on commercial sales of motor vehicles to fund a transportation or transit project
- Can also be used to fund transit operating costs and safe routes to school programs

**Note:** Revenue administers all local transportation sales and use taxes

# Authorizing a Local Transportation Tax (M.S. 297A.993)

To impose a local transportation tax, the political subdivision must:

1. Publish in advance a notification of a public hearing to discuss potential transportation projects
2. Pass a resolution
3. Notify the Commissioner of Revenue in writing to start a new tax

# Resolution Requirements

- Reference to M.S. 297A.993
- Proposed tax rate up to 0.5%
- \$20 vehicle excise tax (if applicable)
- Intended use of the revenue (project plan)
- Amount of revenue to be raised
- Anticipated expiration date
- Intent to have Revenue administer the new tax
- Reference to governing statute M.S. 297A.99, subdivisions 4 and 6-13

# Lodging and Special Local Taxes

- Authorizing a Local Lodging Tax
- Other Special Local Taxes



# Local Lodging Taxes (M.S. 469.190)

- Cities, towns, or a county board acting on behalf of an unorganized territory may impose a local lodging tax
- Tax rate of up to 3%
- 95% of the gross proceeds must be used to fund a local convention or tourism bureau to promote the city or town
- Local governments can either administer their own lodging tax or request Revenue to administer

# Other Special Local Taxes

- May include:
  - Admissions
  - Entertainment
  - Food, Beverage, and Liquor
  - Special Lodging
  - Other special local taxes
- No tax-specific statutes apply
- Legislative approval as “special law” under M.S. 645.021



# Statute Comparison and Implementation



- Statute Comparison of Local Taxes
- Implementing a Local Tax

# Statute Comparison of Local Taxes

Requirements	General 297A.99	Transportation 297A.993	Lodging 469.190	Special Lodging* 645.021	Special Taxes** 645.021
<b>Resolution</b>	Yes	Yes	Yes	Yes	No
<b>Project Plan</b>	Yes	Yes	No	No	No
<b>Sunset Date</b>	Yes	Yes	No	No	No
<b>Funding Cap</b>	Yes	Yes	No	No	No
<b>Rate Cap</b>	No	0.50%	3%	No	No
<b>Projects (Number or Type)</b>	Up to 5	Transportation	95% for Tourism and Convention Center	Varies	No Requirements
<b>Legislative Approval</b>	Yes	No	No	Yes	Yes
<b>Referendum</b>	Yes	No	No	No	No <sup>^</sup>
<b>File with Secretary of State</b>	Yes	No	No	Yes	Yes
<b>Administered by Revenue</b>	Required	Required	If Requested	If Requested	If Requested

\* Applies to lodging taxes above 3% or changes to how revenues are spent.

\*\* Admissions, Entertainment, Food and Beverage, Liquor and other special taxes.

<sup>^</sup> Referendum is not required unless otherwise specified.

# Implementing a Local Tax

1. Notify the Commissioner of Revenue in writing to start a new tax
2. Revenue notifies the public of the tax
3. Revenue updates systems and information
4. Revenue administers the tax

# Notifying Revenue

- At least 90 days before anticipated start date
- Local jurisdictions send Revenue:
  - Formal notification letter
  - Other required information
- Start date must be at the beginning of a quarter

The notification letter to Revenue must include:

- Authorizing session law or statute
- Tax start date
- Approved tax rate
- Formal request for Revenue to administer the new tax

# Other Required Information

Revenue requires these additional items:

- Resolution imposing the local tax
- Board meeting minutes approving the resolution
- Copy of the approval from Minnesota Secretary of State
- Ordinance for sales and use tax regulations
- Referendum questions and results
- Documentation of public meetings held before referendum

# Notifying the Public

- At least 60 days before the start date
- Revenue notifies the public of new local tax:
  - Registers businesses located in the taxing jurisdiction
  - Mails notification letters to those businesses
  - Posts a general notice on our website
  - Emails everyone who subscribed to receive our Sales Tax updates

# Updating Systems and Information (pt. 1)

- 30 days before the start date
- Revenue updates systems and information:
  - Adds new local tax to Rate and Boundary files
  - Submits the files to Streamlined Sales Tax Governing Board
  - Updates sales tax tools, website, and other materials



# Updating Systems and Information (pt. 2)

## Sales Tax Tools include:

- Sales Tax Rate Calculator
- Sales Tax Rate Map
- Sales Tax API
- Fact Sheets
- Other additional tools

The image displays two components of the sales tax tools. On the left is a map of Minnesota with various counties shaded in different colors (green, grey, blue) and labeled with their respective sales tax rates, such as 6.875%, 7.375%, 7.875%, 8.375%, and 8.875%. On the right is a 'Find the Rate' calculator interface. It features an 'Address Search' field with a search icon, an 'Effective Period' dropdown menu set to 'Oct-Dec 2023', and a 'Sales Tax Results' section with expandable options for 'Sales Tax Results', 'Calculate the Rate', and 'Special Local Taxes'. Below the calculator is a 'Zip+4' input field with a green header, a prompt to 'Enter a nine-digit ZIP code.', a 'ZIP CODE\*' field with a hyphen separator (showing '55423 - 0000'), an 'EFFECTIVE PERIOD' dropdown menu set to 'Oct-Dec 2023', a 'DOLLAR AMOUNT' field with '100.00', and 'Submit' and 'Reset' buttons.

# Administering Local Taxes

- Process returns and payments submitted by businesses
- Calculate and send payments to local governments
- Provide tools and support to businesses collecting sales tax
- Answer tax questions
- Audit businesses with in-state and out-of-state presence
- Handle appeals and tax court cases
- Offer training through webinars and other educational opportunities

Thank You!