

March 17, 2025

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 765 (Draheim)

	Fund Impact			
	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
	(000's)			
Housing Assistance Fund	(\$130)	(\$140)	(\$150)	(\$150)
Special Revenue Fund	<u>(\$60)</u>	<u>(\$70)</u>	<u>(\$70)</u>	<u>(\$80)</u>
Total – All Funds	(\$190)	(\$210)	(\$220)	(\$230)

Effective for sales and purchases made after June 30, 2025.

EXPLANATION OF THE BILL

Current Law: There is a 0.75% transportation sales tax and a 0.25% housing sales tax imposed on the metropolitan area. The metropolitan area is defined as all seven metropolitan counties: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington.

Proposed Law: The bill would modify the definition of metropolitan area to exclude the following cities: Cannon Falls, Northfield, Hanover, Rockford, and New Prague. The two metro area sales taxes would not apply to sales and purchases made in those cities.

REVENUE ANALYSIS DETAIL

- The estimate is based on the defined metropolitan area: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties excluding the cities of Cannon Falls, Northfield, Hanover, Rockford, and New Prague.
- The impacted areas are estimated to represent 0.08% of the current sales tax base for the metropolitan area taxes.
- Combined fiscal year 2024 collections for the 0.75% transportation and 0.25% housing metro sales taxes were \$429.4 million which was eight months of impact.
- The 2023 sales tax statistics were used.
- The February 2025 local metro sales tax forecast was used.
- The fiscal year 2026 estimates are adjusted for eleven months of impact.

Minnesota Department of Revenue
Tax Research Division
[https://www.revenue.state.mn.us/
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