

May 7, 2026

	Yes	No
DOR Administrative Costs/Savings	X	

*State Taxes Only—
See Separate Analysis for Property Tax Provisions*

Department of Revenue
Analysis of S.F. 5052 (Rest), 1st Engrossment

	Fund Impact			
	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
	(\$000s)			
General Fund				
Federal Update				
Enhancement of Dependent Care Assistance Program	\$0	(\$5,000)	(\$5,400)	(\$5,800)
Enhancement of Dependent Care Credit	\$0	(\$16,000)	(\$16,700)	(\$17,400)
Bonus Depreciation with 80% Addback				
Individual Income Tax	\$0	\$3,700	\$9,400	\$3,800
Corporate Franchise Tax	\$0	\$7,500	\$19,200	\$7,900
Treatment of Sound Recording Equipment				
Individual Income Tax	\$0	(\$20)	(\$20)	(\$30)
Corporate Franchise Tax	\$0	(\$40)	(\$40)	(\$50)
Excessive Employee Remuneration: CFCs				
Corporate Franchise Tax	\$0	\$8,200	\$7,700	\$8,300
Individual Income Tax				
Beginning Farmer Credit Modification	\$0	(\$1,400)	(\$1,400)	(\$1,500)
National Guard Subtraction Modification	\$0	(\$80)	(\$80)	(\$80)
Housing Contribution Credit Modification	\$0	\$0	\$0	\$0
Section 530 Exclusion	\$0	\$0	Unknown	Unknown
Corporate Franchise Tax				
Sustainable Aviation Fuel Credit	\$0	(\$5,300)	(\$5,300)	(\$2,100)
Film Production Credit Modification	\$0	(\$500)	(\$1,800)	(\$1,900)
Historic Rehabilitation Credit Modification	\$0	\$0	\$0	\$0
Sales and Use Tax				
Residential Generator SWMT Modification	\$0	(\$10)	(\$10)	(\$10)
City of Ramsey Trunk Water Main	\$0	\$0	\$0	\$0
Browerville Public School District	\$0	(\$490)	\$0	\$0
City of Woodbury	\$0	(\$740)	(\$370)	\$0

	Fund Impact			
	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
	(\$000s)			
Miscellaneous				
Social Media Consumer Data Collection Tax	\$0	\$93,900	\$190,900	\$197,000
100% Fraud Tax	\$0	Unknown	Unknown	Unknown
Sports & Events Reimbursement Program	\$0	(Unknown)	(Unknown)	(Unknown)
Minneapolis Local Sales Tax Modification	\$0	(\$2,350)	(\$2,429)	(\$2,484)
Local Sales Tax Modifications	\$0	\$0	\$0	\$0
Hennepin County Tax Modification	\$0	\$0	\$0	\$0
General Fund Total	\$0	\$81,370	\$193,651	\$185,646
Environmental Fund				
Residential Generator SWMT Modification	\$0	(\$30)	(\$30)	(\$30)
Environmental Fund Total	\$0	(\$30)	(\$30)	(\$30)
Housing Assistance Fund				
City of Ramsey Trunk Water Main	\$0	\$0	\$0	\$0
City of Woodbury	\$0	(\$20)	(\$10)	\$0
Local Sales Tax Modifications	\$0	\$0	\$0	\$0
Hennepin County Tax Modification	\$0	\$0	\$0	\$0
Housing Assistance Fund Total	\$0	(\$20)	(\$10)	\$0
Natural Resources and Arts Funds				
City of Ramsey Trunk Water Main	\$0	\$0	\$0	\$0
Browerville Public School District	\$0	(\$30)	\$0	\$0
City of Woodbury	\$0	(\$40)	(\$20)	\$0
Local Sales Tax Modifications	\$0	\$0	\$0	\$0
Hennepin County Tax Modification	\$0	\$0	\$0	\$0
Natural Resources and Arts Funds Total	\$0	(\$70)	(\$20)	\$0
Special Revenue Fund				
City of Ramsey Trunk Water Main	\$0	\$0	\$0	\$0
City of Woodbury	\$0	(\$10)	(Negl.)	\$0
Sports & Events Reimbursement Program	\$0	Unknown	Unknown	Unknown
Local Sales Tax Modifications	\$0	\$0	\$0	\$0
Hennepin County Tax Modification	\$0	\$0	\$0	\$0
Special Revenue Fund Total	\$0	(\$10)	(Negl.)	\$0

	Fund Impact			
	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
	(\$000s)			
Highway Users Tax Distribution Fund				
Sports & Events Reimbursement Program	\$0	(Unknown)	(Unknown)	(Unknown)
Highway Users Tax Distribution Fund Total	\$0	(Unknown)	(Unknown)	(Unknown)
Total All Funds	\$0	\$81,240	\$193,591	\$185,616

EXPLANATION AND ANALYSIS OF THE BILL

Federal Update – Article 1

The bill would adopt certain federal provisions, including the following sections from P.L. 119-21:

- Sec. 70301, (Full expensing for certain business property)
- Sec. 70307, (Special depreciation allowed for qualified production property)
- Sec. 70404, (Enhancement of the dependent care assistance program)
- Sec. 70405, (Enhancement of the child and dependent care tax credit)
- Sec. 70434, (Treatment of certain qualified sound recording productions), and
- Sec. 70603 (Excessive employee remuneration from controlled group members and allocation of deduction)

Income and Corporate Franchise Tax – Article 2

Sustainable Aviation Fuel Credit (Article 2, Sections 1-4)

The supplemental credit is effective beginning with tax year 2025. The increased credit allocations are effective beginning with tax year 2026.

Current Law: A refundable tax credit is allowed of \$1.50 for each gallon of sustainable aviation fuel (SAF) that is produced or blended in Minnesota and sold to a purchaser who certifies it will be used in an aircraft departing from an airport in Minnesota. The credit may be claimed against the individual income tax or corporate franchise tax. A qualifying taxpayer may claim a credit for blending or producing SAF, but not both. If SAF is blended with aviation gasoline or jet fuel, the credit is allowed only for the portion of SAF that is included in the blended fuel.

The credit is administered by the Commissioner of Agriculture in accordance with Minnesota Statutes 41A.15 and 41A.30. The commissioner must not issue credit certificates for more than \$7.4 million in fiscal year 2025 and \$2.1 million in fiscal years 2026 and 2027.

Proposed Law: The bill would add a supplemental tax credit rate for SAF that achieves a lifecycle greenhouse gas reduction (CI reduction) rate greater than 50%. The enhanced tax credit is \$0.02 per gallon of SAF for each additional 1% CI reduction beyond 50%. The total credit is capped at \$2.00 per gallon.

The bill also would increase the maximum credit allocation by \$5.3 million in fiscal year 2027, \$5.3 million in fiscal year 2028 and \$2.1 million in fiscal years 2029 through 2035. This increases the total amount of

EXPLANATION AND ANALYSIS OF THE BILL (cont.)

credit certificates that can be issued through June 30, 2035 from \$11.6 million to \$36.9 million. The credit would expire after tax year 2035.

- No credits were claimed in FY 2025, carrying over the full credit amount to FY 2026.
- As SAF demand increases over time, any unallocated credits from FY 2026 will be carried over and exhausted in FY2027.
- One facility with the capacity of blending up to 30 million gallons of SAF was projected to be completed in the fourth quarter of 2025. The estimate assumes blending 30 million gallons of SAF annually. Of these 30 million gallons, it is assumed that 15 million gallons are eligible for the \$1.50 per gallon credit.
- One airline that uses 250 million gallons of aviation fuel a year plans to use 10% SAF by 2027 and 50% by 2035. This estimate assumes SAF demand starts at 5% of 250 million gallons in 2026, growing by 5% each year afterward.
- It is assumed that the immediate impact of the enhanced tax credit rate will be negligible based on current supply.
- Fiscal year impact is assumed to occur in the same fiscal year the credits are allocated.

Credit for Sale of Agricultural Assets (Article 2, Sections 5-7)

Effective beginning in tax year 2026.

Current Law: The beginning farmer credit is a credit against the individual income tax or corporate franchise tax for the rent or sale of agricultural assets to beginning farmers. An agricultural asset includes land, livestock, facilities, buildings, and machinery used for farming in Minnesota. A beginning farmer must be a Minnesota resident who is seeking entry or has entered farming within the last 10 years, and who will provide the majority of the labor and management of the farm that is located in Minnesota. Furthermore, they must have adequate experience and knowledge of the type of farming for which they seek assistance from the Rural Finance Authority (RFA), can provide positive projected earnings statements, and have a net worth that does not exceed the eligibility limit for beginning farmer loans.

For a sale to a family member to qualify for the credit, the sales price of the agricultural land must equal or exceed the assessed value of the land as of the date of sale.

The credit is equal to one of the following:

- 8% of the lesser of the sale price or the fair market value of the agricultural asset, up to a maximum of \$50,000;
 - For a sale to an emerging farmer the credit rate is increased to 12%,
- 10% of the gross rental income in each of the first, second, and third years of a rental agreement, up to a maximum of \$7,000 per year; or
- 15% of the cash equivalent of the gross rental income in each of the first, second, and third years of a share rent agreement, up to a maximum of \$10,000 per year.

Each year, 50% of newly allocated credits are reserved for emerging farmers. Any reserved credits not allocated by September 30 are available for allocation to others beginning on October 1.

EXPLANATION AND ANALYSIS OF THE BILL (cont.)

Emerging farmers are defined in statute as farmers or aspiring farmers who are women, veterans, persons with disabilities, American Indian or Alaskan Natives, members of a community of color, young, and urban, and any other emerging farmers as determined by the Commissioner of Agriculture.

The credit is nonrefundable but may be carried forward for up to 15 years. The total value of credits allocated by the RFA is capped at \$4 million per year beginning in 2024. Certificates for the credit are issued on a first-come first-served basis, but with a preference for some recertifications. The credit will expire after tax year 2030.

Proposed Law: The bill removes the cap on the total amount of credits that may be allocated by the RFA per year beginning with tax year 2026.

Since there would be no cap on the total amount of credits, the bill also eliminates the requirement that 50% of newly allocated credits be reserved for emerging farmers and the ‘first-come first-served’ allocation process with associated allocation dates.

The bill also replaces references to “emerging farmers” with “limited land access farmers”, defined as farmers farming without ownership of land. Sales to limited land access farmers would be eligible for the 12% credit rate that currently applies to sales to emerging farmers.

Applications for credits for the sale of agricultural assets would be due by November 1 of each year. Applications for credits for rent or rent share agreements would be due by July 1 of each year.

The Rural Finance Authority must make an annual report to the legislature on the credit. The bill delays the due date for the report from February 1 to March 1 of each year.

- About \$5.2 million in credits were claimed in tax year 2023 on about 600 returns, based on the M-1 Processing Report. Since that is less than the maximum allocation in that year, it is assumed to represent total demand for the credits.
- The credit is currently limited to \$4.0 million per year. The bill removes the cap on the total value of credits that may be allocated by the RFA.
- Credits are expected to be about \$5.3 million in tax year 2025.
- A 1% growth rate is assumed.
- Tax year impacts are allocated to the following fiscal year.

Film Production Credit Modification (Article 2, Sections 8-11)

Effective beginning with tax year 2027.

Current Law: A film production credit is allowed equal to 25% of eligible production costs paid in a taxable year. An eligible project is a film that includes the promotion of Minnesota, for which the taxpayer expends at least \$1,000,000 in a 12-month period for eligible production costs and employs Minnesota residents to the extent practicable. Films include feature films, television or internet pilots, programs, series, documentaries, music videos, and television commercials. Script and screenplay productions are not currently eligible for the credit.

EXPLANATION AND ANALYSIS OF THE BILL (cont.)

The credit is nonrefundable but may be carried forward for up to five years. The credit is assignable to another taxpayer. Total credits are limited to \$24.95 million in each tax year. Effective Jan. 1, 2023, the limit was increased from \$4.95 million to \$24.95 million, and the sunset was extended through tax year 2030.

Proposed Law: The bill would expand eligibility for the film credit from projects with at least \$1,000,000 of eligible production costs in a 12-month period to projects with \$400,000 in eligible production costs in a 12-month period for most types of productions. The threshold would be \$150,000 for television commercials, and script or screenplay productions.

The bill would also raise the base credit rate from 25% of eligible production costs to 40%. This rate can be further increased to 45% if the project meets at least one of three conditions: (1) employing a Minnesota resident in a “key creative role” (including director, producer, showrunner, editor, actor, writer, director of photography, production designer, and cinematographer); (2) filming outside the seven-county metro area; or, (3) hire a majority of Minnesota residents in “below-the-line” crew positions (positions which handle the technical execution of film production, including camera operators, sound technicians, grips, electricians and other specialized crafts positions).

- Under current law, the film credit totaled \$1.65 million in tax year 2024 and is projected to increase to about \$2.5 million in tax year 2029.
- To estimate the impact of the proposal, that amount is multiplied by the ratio of the respective new rates to the current rates, weighted by the share of productions likely to be eligible or ineligible for the additional 5% credit, then summed. This sum is then multiplied by the assumed increase in eligible project expenses from the reduced minimum expense thresholds to generate the tax year estimates.
- Data from the Research and Economic Analysis Division of Hawaii’s Department of Business, Economic Development and Tourism shows that 14.7% of the above-the-line payroll expenses from that state’s film credit go to in-state residents. It is assumed that proportion equals the share of projects in Minnesota which employ in-state residents in a key role. The same data also shows that 71.7% of below-the-line payroll expenses go to in-state residents. It is further assumed that this proportion equals the share of projects with a majority of Minnesota residents in below-the-line crew positions.
- Data on film projects shot outside the seven-county metro is not available. Instead, it is assumed that this proportion equals the share of Minnesota’s employment in NAICS code 512 outside the seven-county metro based on 2024 Quarterly Census of Employment and Wages data from the U.S. Bureau of Labor Statistics.
- Finally, data from the Pennsylvania Department of Community & Economic Development is used to estimate the additional cost of reducing the qualifying expense threshold to either \$400,000 or \$150,000. That data provides the amount of qualified production spending for film projects awarded that state’s tax credit. The data is grouped by dollar thresholds based on a project’s total production budget, and the share of productions below \$400,000 or \$150,000 is imputed based on the nearest grouping for each respective amount. The final tax year amount is increased by the imputed share of projects which would be eligible at the lower thresholds relative to the current \$1 million threshold.

EXPLANATION AND ANALYSIS OF THE BILL (cont.)

- Based on information gathered for the Film Production Credit Report published in January of 2025, it is assumed that all of the credits will be claimed on corporate franchise tax returns.
- Tax year impacts are allocated 30% to the current fiscal year and 70% to the following fiscal year.

National Guard Subtraction Modification (Article 2, Section 12)

Effective beginning with tax year 2026.

Current Law: A subtraction from federal adjusted gross income is allowed to members of the Minnesota National Guard or other reserve components of the United States military for training, drill, and summer camp pay. The subtraction is also allowed for active service performed in Minnesota, including natural disaster emergency response, missing person searches, and airport security duty. Compensation received for service by another state’s National Guard is not eligible for the subtraction.

Proposed Law: The proposal allows the subtraction for Minnesota residents serving in the National Guard of a neighboring state. Neighboring states include Wisconsin, Iowa, North Dakota, and South Dakota.

- Based on Department of Defense’s report titled “2024 Demographics Profile of the Military Community”, there were about 23,900 national guard members from the neighboring states. The number has been declining in recent years.
- The percentage of members who are residents of Minnesota is unknown. This estimate assumes that 0.58% are Minnesota residents, based on Census data on state-to-state migration over the period 2011-2024.
- It is estimated that 139 Minnesota residents are in neighboring states’ National Guards.
- Based on samples of individual income tax returns for tax years 2015-2023 and M-1 processing report for tax year 2024, about 6,600 Minnesota residents claim the current subtraction for National Guards each year, or about 59% of the total members.
- It is estimated that an additional 80 residents would claim the proposed subtraction.
- The average subtraction is \$14,300.
- A marginal rate of 6.9% is calculated based on taxpayers claiming the current subtraction.
- Tax year impacts are allocated to the next fiscal year.
- No growth is assumed over the forecast window.

Historic Structure Rehabilitation Credit Modification (Article 2, Sections 13-14)

Effective retroactively for projects for which an allocation certificate was issued after June 30, 2021.

Current Law: The historic rehabilitation credit is a refundable credit equal to 20% of qualified rehabilitation expenditures (QREs). The credit may be claimed against the corporate franchise tax, individual income tax, or insurance premiums tax. To be eligible for the state credit, the taxpayer must qualify for the federal historic rehabilitation tax credit. As with the federal credit, the Minnesota credit is spread over a period of five years.

A qualifying project must be placed in service within three calendar years of receiving an allocation certificate.

EXPLANATION AND ANALYSIS OF THE BILL (cont.)

After a project is completed and placed in service, the State Historic Preservation Office (SHPO) issues a tax credit certificate. The credit certificate may be assigned to another taxpayer. A taxpayer may instead choose to receive a grant in lieu of the credit equal to 90% of the credit amount.

Proposed Law: The proposal allows the first assignee to assign the credit certificate to a second assignee in whole, so long as it is done before the payment is claimed but after the first assignment.

The bill also extends the time allowed to qualify for the credit. Eligible projects would have to be placed in service within six calendar years (rather than three calendar years) after the issuance of the allocation certificate.

Lastly, the bill requires that the original credit certificate recipient and each assignee must file a return with the commissioner of administration for the taxable year that the project is placed in service.

- The assignment of credits to a second assignee would not have a fiscal impact. It is assumed that credits would be claimed in the same fiscal year as under current law.
- Based on information provided by SHPO, it appears that no projects are expected to miss the three calendar years of their allocation certificate issue date window.
- Over the long term this might affect eligibility or the timing of credits but is not expected to have a fiscal impact within the forecast window.

Housing Contribution Credit (Article 2, Sections 15-16)

Effective beginning with tax year 2027.

Currently, a nonrefundable credit is allowed for contributions to a designated account in the Housing Development Fund administered by the Housing Finance Agency (HFA). The account is to be used for grants and loans for low- and moderate-income housing developments.

The credit is equal to 85% of contributions of at least \$1,000 but not more than \$2 million. Any unused credit may be carried over for up to 10 years. Total credits are limited to \$9.9 million in each year. The credit was enacted in 2021 and is effective for tax years 2023 through 2028.

The bill would require the HFA to reserve 50 percent of credits for contributions to qualified projects located in greater Minnesota. Greater Minnesota means the area of Minnesota located outside of the metropolitan area. Any portion of the reserved credits that is not allocated by September 30 of each year is available for allocation to credit applications for contributions to other qualified projects beginning on October 1. The bill also creates an income limit exemption for projects receiving funding under the Workforce Housing Development Program.

- In tax year 2024, the credit's second year, the total credit limit of \$9.9 million was reached. It is assumed the total credit limit will also be reached in tax years 2025-2028.
- The reserved credit allocation is not expected to have a revenue impact, although it may change who receives the credit.

EXPLANATION AND ANALYSIS OF THE BILL (cont.)

Section 530 Exclusion (Article 2, Section 17)

Effective beginning with tax year 2027.

Current Law: During federal worker classification audits, a taxpayer may be provided relief from tax liability for an individual worker if three provisions under Section 530 of the Revenue Act of 1978 are met. These requirements are reporting consistency (treating the individual as a non-employee), substantive consistency (others in same job category treated as non-employee), and reasonable basis (taxpayer relied on an alleged authority regarding job classification).

Proposed Law: The bill excludes Section 530 from the definition of the Internal Revenue Code for Minnesota income tax purposes. The effect is that taxpayers would not be entitled to Section 530 relief when classifying workers for Minnesota income tax purposes.

- The fiscal impact of the bill is unknown. Minnesota income tax will generally be the same regardless of whether the worker is an employee or an independent contractor, except that work-related expenses may be fully deductible as business expenses for contract workers but are limited as itemized deductions for employees.
- Employers have obligations for employees that they don't have for independent contractors. For instance, employers are required to pay federal FICA taxes (which fund Medicare and Social Security) for employees, but not for independent contractors.
- Employers must collect and withhold income tax for employees, but there is no withholding requirement for independent contractors. Therefore, withholding and compliance with income tax law is higher for employees than for contractors.
- Employers must also contribute to unemployment insurance and workers' compensation for employees, but not for independent contractors.
- Because of these additional costs, employers have some incentive to treat workers as contractors rather than employees. However, the extent of worker misclassification is not known.

Sales and Use Tax; Excise Taxes - Article 4

Social Media Data Collection Tax (Article 4, Section 1)

Effective for consumer data collected beginning with calendar year 2027.

Proposed Law: The proposal establishes a tax on the collection of consumer data by a social media platform business. The tax rate is as follows, based on the number of monthly active Minnesota consumers the platform collects data on:

- 100,000 or fewer consumers, the tax is \$0 per month.
- Over 100,000 but not more than 500,000 consumers, the tax per month is \$0.50 times the number of consumers over 100,000.
- Over 500,000 but not more than 1,000,000 consumers, the tax per month is \$200,000 plus \$0.70 times the number of consumers over 500,000.
- Over 1,000,000 consumers, the tax per month is \$550,000 plus \$0.90 times the number of consumers over 1,000,000.

EXPLANATION AND ANALYSIS OF THE BILL (cont.)

A consumer means an individual who establishes an account with a social media platform business or who accesses a social media platform through an account registered with a social media platform business, and whose consumer data is collected by the social media platform business, regardless of whether the individual is charged for establishing the account.

A social media platform business means a for-profit social media platform that collects consumer data in support of the entity's business activities.

Each account is an individual consumer, and the burden of proving that multiple accounts are one consumer is on the social media platform business.

A consumer whose information, including a Minnesota home, mailing, or internet protocol (IP) address, is on record with a social media platform is a Minnesota consumer unless the social media platform proves that the consumer is not a Minnesota resident. A Minnesota consumer must be only counted once per social media platform business per month in the calculation of the tax.

A social media platform may claim a credit against the tax paid for a Minnesota consumer if another state imposes an identical tax for the same consumer. The social media platform must maintain records to demonstrate compliance or as required by the commissioner of the Minnesota Department of Revenue (MDOR).

On or before the 20th of the month following the month that tax liability occurred, a social media platform business must report and remit the tax. Taxes must be filed in subsequent months until the business reports no tax liability for 12 months. All revenues, including penalties and interest, are to be deposited to the general fund.

- For fiscal year 2027, it is estimated that 14 social media platforms would be subject to this tax.
- The estimates for the number of national monthly users reported by Ignitesocialmedia.com and eMarketer are based on an analysis of survey and traffic data from research firms and regulatory agencies. Monthly users are assumed to be unique users.
- Minnesota's monthly social media users are estimated to be 1.7% of the national total, based on Minnesota's share of the U.S. population.
- Minnesota's population is assumed to grow at 0.4% per year, based on U.S. Census data.
- The number of social media users is assumed to grow at 2.2% per year, based on data from Statista.com.
- It is assumed that all social media platform businesses collect data on their users.
- Fiscal year 2027 is adjusted for six months of collections.

Repeal Local Transfer to Minnesota Sports Facilities Authority (Article 4, Section 2; Article 11, Section 1)

Effective day following final enactment.

Currently, increases in local tax revenue in the City of Minneapolis are directed toward the Minnesota Sports Facilities Authority (MSFA).

EXPLANATION AND ANALYSIS OF THE BILL (cont.)

The bill would remove the provisions that dedicate a portion of Minneapolis local taxes to the MSFA, and the local tax revenue would remain with the city of Minneapolis. The provision would have a net impact of zero on the General Fund. It is assumed that any funds retained for a FY2027 transfer to MSFA will be returned to the city of Minneapolis.

Residential Generators (Article 4, Sections 3-4)

Effective for waste management services received after June 30, 2026.

Current Law: The solid waste management tax (SWMT) is imposed on charges for the collection and disposal of solid waste. The current rate is 9.75% for residential services and 17% for commercial services and self-haulers. A 501(c)(3) organization is considered a commercial generator.

Proposed Law: A 501(c)(3) organization that receives donations for resale from single-family residences or other residential generators will be considered a residential generator and will pay the residential rate of 9.75% instead of the 17% commercial rate.

- It is assumed that about 200 nonprofit generators would change from the commercial to the residential rate.
- The Fiscal 2025 collections of the SWMT at the commercial rate are used as the starting point of the estimate.
- The commercial rate is scaled to the residential rate for the estimated population of qualifying entities.
- Solid waste management tax collections from the February 2026 forecast are used to grow the estimates.
- The fiscal year 2027 estimates are adjusted for eleven months of collections.

Tourism Improvement District (Article 4, Section 5)

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

Tourism Improvement Districts were established in 2023 where lodging businesses can be assessed a service charge to fund local tourism marketing and improvements. Businesses may, but are not required to, choose to collect the service charge directly from the purchaser. If the service charge is itemized on the invoice, bill of sale or similar document given to the purchaser, the service charge is excluded from the sales price, and no sales tax is thus imposed on the service charge.

The provision would have no direct impact on state taxes.

City of Ramsey Trunk Water Main (Article 4, Section 6)

Effective retroactively for sales and purchases made after December 31, 2022, and before July 1, 2027.

Current Law: Materials and supplies used or consumed in and equipment incorporated into the construction, reconstruction, upgrade, expansion, renovation, or remodeling of a new water treatment

EXPLANATION AND ANALYSIS OF THE BILL (cont.)

plant in the city of Ramsey are exempt from the sales and use tax. The exemption applies to materials, supplies, and equipment purchased after December 31, 2022, and before July 1, 2027.

Proposed Law: The bill would clarify the scope of the project by including trunk water main improvements. The change would be consistent with the scope and cost of the original project.

Browerville Public School District (Article 4, Section 7)

Effective retroactively for sales and purchases made after December 1, 2023, and before January 1, 2026.

Proposed Law: The bill would exempt materials, supplies, and equipment used in renovations to the prekindergarten through grade 12 school building, construction of a new gymnasium, classrooms, locker rooms, wrestling and weight room, offices and a stage. The exemption would be administered as a refund and apply to purchases made after December 1, 2023, and before January 1, 2026.

- Information for the estimates was provided by a representative of ISD 787.
- Total construction costs for taxable materials, supplies, and equipment are estimated to be \$7.5 million.
- It is assumed that all refunds will be filed and paid in fiscal year 2027.

City of Woodbury (Article 4, Section 8)

Effective retroactively for sales and purchases made after January 31, 2024, and before December 1, 2028.

Proposed Law: The bill would exempt materials and supplies used or consumed in and equipment incorporated into the construction, reconstruction, upgrade, expansion, renovation, or remodeling of a water treatment facility and water tower, including water pipeline infrastructure and associated improvements funded by the city of Woodbury from the sales and use tax. The exemption would be administered as a refund and apply to purchases made after January 31, 2024, and before December 1, 2028.

- The estimate is based on project information provided by the city of Woodbury.
- The total project cost is estimated to be \$32.5 million.
- The total construction costs for taxable materials, supplies, and equipment are estimated to be \$17.0 million.
- It is assumed that the bill limits the refund to the portion of the project paid from the city's own-source revenues.
- The projects began in 2024 and will be completed in December 2028. The distribution of expected refund claims is assumed based on the project timeline.

EXPLANATION AND ANALYSIS OF THE BILL (cont.)

Local Sales and Use and Special Taxes – Article 5

The following local sales tax provisions would not have a direct impact on state taxes.

City of Minneapolis Local Taxes (Article 5, Section 1)

Effective for sales and purchases made after September 30, 2026.

Minneapolis currently imposes a sales tax of 3% on retail on-sale of liquor and fermented malt beverages. Minneapolis also imposes a sales tax of 3% on sales of food at restaurants and places of refreshment. Both taxes are imposed in the designated downtown taxing area.

The bill would expand the area subject to the taxes on retail on-sale of liquor and fermented malt beverages and sale of food at restaurants and places of refreshment.

City of St. Paul (Article 5, Sections 2-5, 7-8, 56)

The city of St. Paul has imposed a sales and use tax of 0.5% since 1993. An additional authority of 1% was enacted in 2023. The city of St. Paul also has a lodging tax for less than 50 rooms of 3% since 2004, and a lodging tax for greater than 50 rooms of 6% from 2004 to 2019 that was increased to 7% in 2019.

The bill extends the expiration date of the authority granted to the city of St. Paul to impose the 0.5% sales and use tax from December 31, 2042, to December 31, 2061, or at an earlier time as the city shall, by ordinance, determine.

The bill increases the limit for the aggregate principal amount of sales tax supported bonds the city can issue for capital expenses for the St. Paul Civic Center from \$65 million to \$275 million. It also increases from \$130 million to \$325 million the limit for the total principal amount of additional bonds the city can issue together with the outstanding principal amount of the bonds previously issued.

The bill also removes the requirement that the citizen review panel consist of three residents from each of the seven city council wards, for a total of 21 members.

City of Little Falls (Article 5, Section 6)

The city of Little Falls was authorized to impose a tax of 0.5% on gross receipts from the retail sale of food and nonalcoholic beverages sold by the operator of a restaurant or place of refreshment in the city in 1996. The proceeds of the tax were to be used for tourism purposes, including operating and maintaining the tourism and convention bureau. The tax would have expired 15 years after it was first imposed. In 2009 the law was amended to allow the tax to additionally be imposed on the sale of alcoholic beverages and extended the duration of the tax to 30 years from the date it was first imposed.

The bill authorizes the city of Little Falls to extend the expiration of its food and beverage tax until July 1, 2056.

EXPLANATION AND ANALYSIS OF THE BILL (cont.)

City of Albert Lea (Article 5, Sections 9-12)

The city of Albert Lea was authorized in 2005 to impose a sales and use tax of 0.5% and the proceeds were used to finance the lake improvement project in the Shell Rock River Watershed plan. The expiration of the tax was extended several times in subsequent years.

The bill authorizes the city of Albert Lea, if approved by the voters at a general election, to extend its sales and use tax of 0.5%.

The proceeds would be used to finance the following projects plus associated bonding costs:

1. \$20 million for water quality improvement for the Shell Rock Watershed District;
2. \$9.3 million for expansion, improvement and equipping of the Songbird Trail;
3. \$4.5 million for expansion, improvement and equipping of the Albert Lea Public Library;
4. \$4.7 million for the Snyder Field Complex, including expansion, improvement and equipping of the Snyder Field Recreation Area; and
5. \$1.5 million for acquisition, construction, improvement and equipping of Miracle Field at Edgewater Park.

The bill also authorizes a bond issuance of up to \$40 million plus bond issuance costs.

The tax would terminate at the earlier of 30 years after the tax extension is first imposed or when the city council determines that the amount received from the tax is sufficient to pay for the costs of the projects listed above plus bond issuance costs and interest. The tax could expire earlier if the city so determines by ordinance.

City of Austin (Article 5, Sections 13-16)

The city of Austin has imposed a sales and use tax of 0.5% since 2007 which is set to expire after 20 years.

The bill authorizes the city of Austin, if approved by the voters at a general election, to extend the sales and use tax.

The proceeds would be used to finance up to \$28 million, plus associated bonding costs, for the following, in connection with a law enforcement center: (1) the previous purchase of land; (2) utility, site work, and design services; and (3) construction. The bill also authorizes the city to issue up to \$28 million worth of bonds, plus bond issuance costs.

The tax would terminate at the earlier of 20 years after the tax is first imposed or after the city council determines that the amount received from the tax is sufficient to pay for the costs of the projects listed above plus bond issuance costs and interest. The tax could expire earlier if the city so determines by ordinance.

EXPLANATION AND ANALYSIS OF THE BILL (cont.)

City of Baxter (Article 5, Sections 17-19)

The city of Baxter implemented a sales and use tax of 0.5% in 2006.

The bill authorizes the city, if approved by the voters at a general election, to use the proceeds to finance \$67 million for upgrades and improvements to the water and wastewater utility systems, , and \$10 million for construction of a new public safety facility, plus associated bonding costs. The bill also authorizes the city to issue up to \$77 million worth of bonds, plus bond issuance costs.

The bill would allow the city of Baxter, by ordinance, to extend the sales tax termination date by 20 years or when an amount sufficient to pay for the projects above plus associated bond costs is raised, whichever is earlier.

City of Elk River (Article 5, Sections 20-23)

Voters at a general election in November of 2018 approved the city of Elk River to impose a 0.5% sales and use tax.

The bill authorizes the city, if approved by the voters at a general election, to use the revenues derived from the tax to also finance up to \$20 million, plus associated bonding costs, for construction of a new fire station. The bill also authorizes the city to issue an additional \$20 million worth of bonds, plus bond issuance costs.

City of Sauk Centre (Article 5, Sections 24-26)

The city of Sauk Centre has imposed a sales and use tax of 0.5% and a motor vehicle excise tax of \$20 since 2020. The proceeds are to be used to finance capital costs of city infrastructure improvement projects directly related to the reconstruction of Trunk Highway 71. A bond issuance of up to \$10 million plus bond issuance costs was also authorized.

The bill authorizes the city of Sauk Centre, if approved by the voters at a general election, to increase the maximum authorized bond issuance from \$10 million to \$15 million plus bond issuance costs.

The tax would terminate at the earlier of December 31, 2045, or when the city council determines that the amount received from the tax is sufficient to pay for the costs of the projects plus bond issuance costs and interest. The tax may expire earlier if the city so determines by ordinance.

City of Edina (Article 5, Sections 27-28)

The city of Edina has imposed a sales and use tax of 0.5% since 2023 which is set to expire after 20 years. The proceeds are to be used to finance \$17.7 million for development of Fred Richards Park and \$53.3 million for improvements to Braemar Park, plus associated bonding costs.

The bill authorizes the city to increase the amount to \$56.3 million, plus associated bonding costs, for improvements to Braemar Ice Arena.

The bill also authorizes, if approved by the voters at a general election, additional proceeds from the tax to be used to finance the following projects, plus associated bonding costs:

- \$35 million for design and construction of new public safety facilities
- \$6 million for tenant improvements to the Edina Art Center

EXPLANATION AND ANALYSIS OF THE BILL (cont.)

- \$8 million for a capital improvement plan for the Edina Aquatic Center
- \$4 million for design of the Braemar Golf Course Clubhouse

The bill also authorizes the city to issue bonds not exceeding the following amounts, plus bond issuance costs, for each project:

- \$56.3 million for improvements to Braemar Ice Arena
- \$35 million for design and construction of new public safety facilities
- \$6 million for tenant improvements to the Edina Art Center
- \$8 million for a capital improvement plan for the Edina Aquatic Center
- \$4 million for design of the Braemar Golf Course Clubhouse

City of Alexandria (Article 5, Section 29)

The bill authorizes the city of Alexandria, if approved by the voters at a general election, to impose a sales and use tax of up to 0.25%.

The proceeds would be used to finance up to \$30 million, plus associated bonding costs, for the expansion and renovation of the PrimeWest Health Runestone Community Center. The bill also authorizes the city to issue up to \$30 million worth of bonds, plus bond issuance costs.

The tax would terminate at the earlier of 20 years after the tax is first imposed or after the city council determines that the amount received from the tax is sufficient to pay for the costs of the project listed above plus bond issuance costs and interest. The tax could expire earlier if the city so determines by ordinance.

City of Audubon (Article 5, Section 30)

The bill authorizes the city of Audubon, if approved by the voters at a general election, to impose a sales and use tax of up to 0.5%.

The proceeds would be used to finance up to \$3 million, plus associated bonding costs, for the construction of a new fire station. The bill also authorizes the city to issue up to \$3 million worth of bonds, plus bond issuance costs.

The tax would terminate at the earlier of 20 years or after the city council determines that the amount received from the tax is sufficient to pay for the costs of the project listed above plus bond issuance costs and interest. The tax could expire earlier if the city so determines by ordinance.

City of Blaine (Article 5, Section 31)

The bill authorizes the city of Blaine to impose one or more taxes on specific sales transactions within the 105th Redevelopment Area as identified in the city's zoning ordinance and zoning map. The city would be authorized to impose:

- A tax of up to 3% on the gross receipts of all food and beverages sold by a restaurant or place of refreshment located within the taxing area, including retail on-sale of intoxicating liquor and fermented malt beverages and all sales of food primarily for consumption on or off the premises;

EXPLANATION AND ANALYSIS OF THE BILL (cont.)

- A tax of up to 3% on the gross receipts from lodging for a period of less than 30 days at a hotel, motel, rooming house, tourist court, or trailer camp by a hotel or motel located within the taxing area which has more than 50 rooms available for lodging; and
- A tax of up to 3% on the gross receipts from admission to places of amusement or athletic events and any use of amusement devices located within the taxing area.

The proposed lodging tax would be in addition to any general authorization lodging tax. The total lodging tax rate must not exceed 6%.

The proceeds would be used for initial and ongoing financing of capital improvements within the 105th Redevelopment Area. The taxes may be adjusted periodically by the city council to produce revenue sufficient to finance the improvements, but the tax rate may not increase by more than one percentage point over rates first imposed by ordinance.

The bill authorizes a bond issuance. The taxes would not be terminated before January 1, 2055.

City of Caledonia (Article 5, Section 32)

The bill authorizes the city of Caledonia, if approved by the voters at a general election, to impose a sales and use tax of up to 0.25%.

The proceeds would be used to pay the costs of collecting and administering the tax and to finance up to \$1.6 million, plus associated bonding costs and interest, for construction of a Public Safety Center. The bill also authorizes the city to issue up to \$1.6 million worth of bonds plus bond issuance costs.

The tax would terminate at the earlier of ten years after the tax is first imposed or after the city council determines that the amount received from the tax is sufficient to pay for the costs of the project listed above plus bond issuance costs and interest. The tax could expire earlier if the city so determines by ordinance.

City of Champlin (Article 5, Section 33)

The bill authorizes the city of Champlin, if approved by the voters at a general election, to impose a sales and use tax of up to 0.5%.

The proceeds would be used to finance up to \$18 million, plus associated bonding costs, for construction of a new indoor athletic facility. The bill also authorizes the city to issue up to \$18 million worth of bonds, plus bond issuance costs.

The tax would terminate at the earlier of 30 years after the tax is first imposed or after the city council determines that the amount received from the tax is sufficient to pay for the costs of the project listed above plus bond issuance costs and interest. The tax could expire earlier if the city so determines by ordinance.

Cloquet Area Fire District (Article 5, Section 34)

The bill authorizes, if approved by the voters at a general election, the Cloquet Area Fire District by a majority vote of the governing body to impose a sales and use tax of up to 0.5%.

EXPLANATION AND ANALYSIS OF THE BILL (cont.)

The proceeds would be used to finance up to \$18.609 million, plus associated bonding costs, for the construction of Ambulance and Fire Station I. The bill also authorizes a bond issuance of up to \$18.609 million plus bond issuance costs.

The tax would terminate at the earlier of 20 years from when first imposed or when the Cloquet Fire District determines that the amount received from the tax is sufficient to pay for the costs of the project listed above. The tax could expire earlier if the fire district so determines.

City of Coon Rapids (Article 5, Section 35)

The bill authorizes, if approved by the voters at a general election, the city of Coon Rapids to impose a sales and use tax of up to 0.5%.

The proceeds would be used to finance \$40 million for renovation and expansion of the police department and city center facility, including the city hall and civic center, and \$40 million for the construction of a new community center and expansion of the Coon Rapids Ice Center, plus associated bonding costs. The bill also authorizes a bond issuance of up to \$80 million plus bond issuance costs.

The tax would terminate at the earlier of 25 years from when first imposed or when the city council determines that the amount received from the tax is sufficient to pay for the costs of the projects listed above. The tax could expire earlier if the city so determines by ordinance.

Douglas County (Article 5, Section 36)

The bill authorizes Douglas County, if approved by the voters at a general election, to impose a sales and use tax of up to 0.25%.

The proceeds would be used to finance up to \$18.5 million, plus associated bonding costs, for the construction of a new library. The bill also authorizes the county to issue up to \$18.5 million worth of bonds, plus bond issuance costs.

The tax would terminate at the earlier of 10 years after the tax is first imposed or when the county board determines that the amount received from the tax is sufficient to pay for the costs of the project listed above plus bond issuance costs and interest. The tax could expire earlier if the county so determines by ordinance.

City of Forest Lake (Article 5, Section 37)

The bill authorizes the city of Forest Lake, if approved by the voters at a general election, to impose a sales and use tax of up to 0.5%.

The proceeds would be used to finance up to \$50 million, plus associated bonding costs, for the construction of a new public works facility. The bill also authorizes the city to issue up to \$50 million worth of bonds, plus bond issuance costs.

EXPLANATION AND ANALYSIS OF THE BILL (cont.)

The tax would terminate at the earlier of 20 years after the tax is first imposed or after the city council determines that the amount received from the tax is sufficient to pay for the costs of the project listed above plus bond issuance costs and interest. The tax could expire earlier if the city so determines by ordinance.

Isanti County (Article 5, Section 38)

The bill authorizes the county of Isanti, if approved by the voters at a general election, to impose a sales and use tax of up to 0.25%.

The proceeds would be used to finance up to \$25 million for construction of the new highway department facility. The bill also authorizes the county to issue up to \$25 million worth of bonds.

The tax would terminate 25 years after the tax is first imposed or when the county council determines that \$25 million has been received from the tax to pay for the costs of the project listed above, whichever is earlier. The tax could expire earlier if the county so determines by ordinance.

City of Lanesboro (Article 5, Section 39)

The bill authorizes the city of Lanesboro, if approved by the voters at a general election, to impose a sales and use tax of up to 0.5%.

The proceeds would be used to finance up to \$500,000 for rehabilitation and improvements to Sylvan Park. The bill also authorizes the city to issue up to \$500,000 worth of bonds plus bond issuance costs.

The tax would terminate at the earlier of five years after the tax is first imposed or after the city council determines that the amount received from the tax is sufficient to pay for the costs of the projects listed above plus bond issuance costs and interest. The tax could expire earlier if the city so determines by ordinance.

City of Maplewood (Article 5, Section 40)

The bill authorizes the city of Maplewood, if approved by the voters at a general election, to impose a sales and use tax of up to 0.5%.

The proceeds would be used to finance the following projects plus associated bonding costs: \$25 million for the East Metro Public Safety Training Facility and \$48 million for the Maplewood Community Center. The bill also authorizes a bond issuance of up to \$73 million plus bond issuance costs.

The tax would terminate at the earlier of 20 years after the tax is first imposed or when the city council determines that the amount received from the tax is sufficient to pay for the costs of the projects listed above plus bond issuance costs and interest. The tax may expire earlier if the city so determines by ordinance.

City of Minnetonka (Article 5, Section 41)

The bill authorizes the city of Minnetonka, if approved by the voters at a general election, to impose a sales and use tax of up to 0.5%.

EXPLANATION AND ANALYSIS OF THE BILL (cont.)

The proceeds would be used to finance the following projects plus associated bonding costs: \$13 million for the new construction of Fire Station 2, \$17.6 million for the new construction of Fire Station 3, and \$35 million for renovations to the Marsh health and wellness center. The bill also authorizes the city to issue up to \$65.6 million worth of bonds, plus bond issuance costs.

The tax would terminate at the earlier of 30 years after the tax is first imposed or after the city council determines that the amount received from the tax is sufficient to pay for the projects listed above plus bond issuance costs and interest. The tax could expire earlier if the city so determines by ordinance.

City of Northfield (Article 5, Section 42)

The bill authorizes the city of Northfield, if approved by the voters at a general election, to impose a sales and use tax of up to 0.5%.

The proceeds would be used to finance \$2.8 million for the acquisition, rehabilitation, and betterment of the Northfield Public Library; \$2.8 million for the acquisition, rehabilitation, and betterment of the Northfield Community Resource Center; and \$7.5 million for the acquisition and betterment of interconnected city Riverfront Parks, plus associated bonding costs. The bill also authorizes the city to issue up to \$13.1 million worth of bonds, plus bond issuance costs.

The tax would terminate at the earlier of 20 years after the tax is first imposed or after the city council determines that the amount received from the tax is sufficient to pay for the costs of the projects listed above plus bond issuance costs and interest. The tax could expire earlier if the city so determines by ordinance.

City of Oak Park Heights (Article 5, Section 43)

The bill authorizes, if approved by the voters at a general election, the city of Oak Park Heights to impose a sales and use tax of up to 0.5%.

The proceeds would be used to finance all or part of the following projects, plus associated bonding costs: \$13 million for water main infrastructure improvements, \$3 million for water tower infrastructure improvements, and \$25 million for a perfluoroalkyl and polyfluoroalkyl substances (PFAS) removal water treatment facility. The bill also authorizes a bond issuance of up to \$41 million plus bond issuance costs.

The tax would terminate at the earlier of 20 years from when first imposed or when the city council determines that the amount received from the tax is sufficient to pay for the costs of the project listed above plus bond issuance costs and interest. The tax could expire earlier if the city so determines by ordinance.

City of Osseo (Article 5, Section 44)

The bill authorizes the city of Osseo, if approved by the voters at a general election, to impose a sales and use tax of up to 0.5%.

The proceeds would be used to finance up to \$7 million for Boerboom Park Community Center Hub Project and \$3 million for the City Hall Renovations Project, including the renovation and betterment

EXPLANATION AND ANALYSIS OF THE BILL (cont.)

of city hall and associated infrastructure, plus associated bonding costs. The bill also authorizes the city to issue up to \$10 million worth of bonds, plus bond issuance costs.

The tax would terminate at the earlier of 20 years after the tax is first imposed or after the city council determines that the amount received from the tax is sufficient to pay for the costs of the projects listed above plus bond issuance costs and interest. The tax could expire earlier if the city so determines by ordinance.

City of Owatonna (Article 5, Section 45)

The bill authorizes the city of Owatonna, if approved by the voters at a general election, to impose a sales and use tax of up to 0.5%.

The proceeds would be used to finance \$75 million, plus associated bonding costs, for the construction of a community center. The bill also authorizes the city to issue up to \$75 million worth of bonds, plus bond issuance costs.

The tax would terminate at the earlier of 25 years after the tax is first imposed or after the city council determines that the amount received from the tax is sufficient to pay for the costs of the project listed above plus bond issuance costs and interest. The tax could expire earlier if the city so determines by ordinance.

City of Plymouth (Article 5, Section 46)

The bill authorizes the city of Plymouth, if approved by the voters at a general election, to impose a sales and use tax of up to 0.5%.

The proceeds would be used to finance \$55 million for the expansion and renovation of the Plymouth Ice Center, \$55 million for the expansion of the Plymouth Community Center Fieldhouse, and \$25 million for the Four Seasons Regional Sports Complex, plus associated bonding costs. The bill also authorizes the city to issue up to \$135 million worth of bonds, plus bond issuance costs.

The tax would terminate at the earlier of 20 years or after the city council determines that the amount received from the tax is sufficient to pay for the costs of the project listed above plus bond issuance costs and interest. The tax could expire earlier if the city so determines by ordinance.

City of Robbinsdale (Article 5, Section 47)

The bill authorizes the city of Robbinsdale, if approved by the voters at a general election, to impose a sales and use tax of up to 0.5%.

The proceeds would be used to finance up to \$40 million, plus associated bonding costs, for the Public Works Facility Project. The bill also authorizes the city to issue up to \$40 million worth of bonds, plus bond issuance costs.

The tax would terminate at the earlier of 20 years after the tax is first imposed or after the city council determines that the amount received from the tax is sufficient to pay for the costs of the project listed

EXPLANATION AND ANALYSIS OF THE BILL (cont.)

above plus bond issuance costs and interest. The tax could expire earlier if the city so determines by ordinance.

City of Roseau (Article 5, Section 48)

The bill authorizes, if approved by the voters at a general election, the city of Roseau to impose a sales and use tax of up to 0.5%.

The proceeds would be used to finance up to \$4.3 million for renovation of the Roseau Memorial Arena and up to \$8.2 million for the construction of a new community and wellness center, plus associated bonding costs. The bill also authorizes a bond issuance of up to \$12.5 million plus bond issuance costs.

The tax would terminate at the earlier of 30 years from when first imposed or after the city council determines that the amount received from the tax is sufficient to pay for the costs of the projects listed above plus bond issuance costs and interest. The tax could expire earlier if the city so determines by ordinance.

Sherburne County (Article 5, Section 49)

The bill authorizes Sherburne County, if approved by the voters at a general election, to impose a sales and use tax of up to 0.25%.

The proceeds would be used to finance up to \$75 million, plus associated bonding costs, for a law enforcement center, which includes a jail. The bill also authorizes the city to issue up to \$75 million worth of bonds, plus bond issuance costs.

The tax would terminate at the earlier of 20 years after the tax is first imposed or after the county determines that the amount received from the tax is sufficient to pay for the costs of the project listed above plus bond issuance costs and interest. The tax could expire earlier if the county so determines by ordinance.

City of St. Cloud (Article 5, Section 50)

Six cities in the St. Cloud area, including the city of St. Cloud, currently impose a sales and use tax of 0.5%.

The bill authorizes the city of St. Cloud, if approved by the voters at a general election, to impose a sales and use tax of up to 0.25%.

The proceeds would be used to finance up to \$7 million, plus associated bonding costs, for an outdoor water park adjacent to the St. Cloud Aquatics Center, or to otherwise fund up to \$7 million for that project. The bill also authorizes the city to issue up to \$7 million worth of bonds, plus bond issuance costs.

The tax would terminate at the earlier of three years after the tax is first imposed or after the city council determines that the amount received from the tax is sufficient to pay for the costs of the project

EXPLANATION AND ANALYSIS OF THE BILL (cont.)

listed above plus bond issuance costs and interest. The tax could expire earlier if the city so determines by ordinance.

City of Taylors Falls (Article 5, Section 51)

The bill authorizes the city of Taylors Falls, if approved by the voters at a general election, to impose a sales and use tax of up to 0.5%.

The proceeds would be used to finance \$600,000 for community center improvements, \$1 million for the Taylors Falls River Walk improvements and trail system, in addition to \$400,000 for development of a town square, plus associated bonding costs. The bill also authorizes the city to issue up to \$2 million worth of bonds, plus bond issuance costs.

The tax would terminate after 20 years or after the city council determines that the amount received from the tax is sufficient to pay for the costs of the projects listed above plus bond issuance costs and interest, whichever is earlier. The tax could expire earlier if the city so determines by ordinance.

City of Vergas (Article 5, Section 52)

The bill authorizes the city of Vergas, if approved by the voters at a general election, to impose a sales and use tax of up to 0.5%.

The proceeds would be used to finance \$240,000 for construction of a new amphitheater and bathhouse and \$45,000 for extension of utilities to the amphitheater.

The tax would terminate at the earlier of 5 years after the tax is first imposed or after the city council determines that the amount received from the tax is sufficient to pay for the costs of the projects listed above. The tax could expire earlier if the city so determines by ordinance.

Waseca County (Article 5, Section 53)

Waseca County has imposed a 0.5% transit sales and use tax since 2019. The bill authorizes Waseca County, if approved by the voters at a general election, to impose a sales and use tax of up to 0.375%.

The proceeds would be used to finance up to \$45 million, plus associated bonding costs, for the construction of a new judicial center. The bill also authorizes the county to issue up to \$45 million worth of bonds, plus bond issuance costs.

The tax would terminate at the earlier of 30 years after the tax is first imposed or after the county board determines that the amount received from the tax is sufficient to pay for the costs of the project listed above plus bond issuance costs and interest. The tax could expire earlier if the county so determines by ordinance.

City of Wayzata Food and Beverage (Article 5, Section 54)

The bill would authorize the city of Wayzata to impose a sales and use tax of up to 1.0% on the gross receipts of all food and beverages sold by a restaurant or place of refreshment.

EXPLANATION AND ANALYSIS OF THE BILL (cont.)

The proceeds would be used to finance the operation, maintenance, and capital improvement expenses of city parks, operation costs and capital improvement expenses to provide public safety, in addition to downtown business attraction and retention costs.

The city may enter into an agreement with the Department of Revenue to administer, collect, and enforce the tax.

City of Windom (Article 5, Section 55)

The bill authorizes the city of Windom, if approved by the voters at a general election, to impose a sales and use tax of up to 0.5%.

The proceeds would be used to finance \$8 million for a swimming pool project, plus associated bonding costs. The bill also authorizes the city to issue up to \$8 million worth of bonds, plus bond issuance costs.

The tax would terminate at the earlier of 30 years after the tax is first imposed or after the city council determines that the amount received from the tax is sufficient to pay for the costs of the project listed above plus bond issuance costs and interest. The tax could expire earlier if the city so determines by ordinance.

Hennepin County Healthcare Tax – Article 9

Effective the day following final enactment.

Current Law: Hennepin County has imposed a sales and use tax of 0.15% since 2007 and a 0.5% transit tax since 2017. The proceeds from the 0.15% tax are used to pay costs of collecting the tax, pay bond costs, maintain reserves, pay for operating costs of the ballpark authority, and make expenditures and grants for youth activities and amateur sports and the extension of library hours.

Proposed Law: The bill authorizes Hennepin County to increase the sales and use tax from 0.15% to 0.25%. The proceeds from the tax could additionally be used to make expenditures and grants to certain Hennepin County health care facilities, or fund capital improvements of the ballpark or public infrastructure within the development area.

The county must also distribute \$21 million of funds annually to a private, nonprofit hospital located in Hennepin County that is designated by the commissioner of health as an adult level I trauma hospital and provides statewide ground and air emergency medical transportation services. These funds would be used to cover the hospital's uncompensated care charges.

The bill would expand the Minnesota Ballpark Authority's capital improvement reserve fund to also allow amounts for public infrastructure within the development area. The bill would increase annual payments to the fund from \$2 million to \$15.526 million. The Minnesota Twins' share of these annual payments would increase from approximately \$1 million to \$6.526 million. The payments would increase annually according to an inflation index determined by the county. From the fund, the bill would increase the maximum annual amount of any grant for capital improvement reserves from \$1 million to \$9 million.

EXPLANATION AND ANALYSIS OF THE BILL (cont.)

Hennepin County must spend remaining funds on other county healthcare and public health related purposes specified in the bill.

The bill would deem the Minnesota Ballpark Authority a qualifying government for purposes of its investment authority and would authorize the county to issue revenue bonds to finance all or a portion of these ballpark costs.

The bill would have no direct impact on state taxes. Hennepin County's sales and use tax generated approximately \$50 million of revenue in calendar year 2025. If the rate had been 0.25% in calendar year 2025 the tax would've generated approximately \$84 million.

The tax would terminate 25 years after it is first imposed.

Miscellaneous Taxes - Article 11

Sports and Events Reimbursement Program (Article 11, Sections 2-4, 10, 15-20) *Effective day following final enactment.*

Current Law: Revenues from the 6.5% portion of the sales and use tax, individual income tax, corporate franchise tax, liquor gross receipts tax, and cannabis gross receipts tax are deposited into the General Fund. Revenues from the retail delivery fee, motor vehicle rental tax and motor vehicle rental fee are dedicated to transportation-related funds.

Proposed Law: The bill creates a Sports and Events Reimbursement Program Account in the special revenue fund. The program is meant to reimburse a local organizing committee for the following allowable expenses under a sporting event contract: (1) the costs relating to the preparations necessary or desirable for conducting the event; and (2) the costs of conducting the event, including the costs of an improvement or renovation to an existing facility and the costs of the acquisition or construction of a new facility or other facility. Local organizing committees must apply to receive funding. The bill lists 30 different categories of events that would be eligible for funding.

Sporting events are deemed eligible to receive funding if:

- (1) a site selection organization, after considering one or more sites outside of Minnesota, selects a site in this state for the event to be held either one time or if the event is scheduled under an event contract or event support contract to be held each year for a period of years, one time in each year;
- (2) a site selection organization selects a site in this state as the sole site for the event or the sole site for the event in a region composed of this state and one or more adjoining states and the event is held not more than one time in any year.

Tax revenue deposited into the Sports and Events Reimbursement Program Account would come from the incremental increase in certain tax revenues attributable to sporting events held in the state. Following each eligible sporting event, a local organizing committee must submit a request to the University of Minnesota who will estimate the incremental increase in tax revenue. If the University of Minnesota is unable to estimate the increase, it will notify a local organizing committee.

EXPLANATION AND ANALYSIS OF THE BILL (cont.)

The local organizing committee would then request an estimate from an authorized entity. The bill defines authorized entity as an independent third-party economic analysis firm or research organization with demonstrated expertise in conducting economic impact studies for large-scale events. The university then notifies the department of revenue who will transfer funds into the new account. Within 30 days of the determination, funds must be dispersed to the local organizing committee.

Taxes included in the estimates are the state sales and use tax (6.5% general fund portion only), individual income tax, corporate franchise tax, liquor gross receipts tax, cannabis gross receipts tax, motor vehicle rental tax, motor vehicle rental fee and the retail delivery fee.

100% Fraud Tax (Article 11, Sections 4-6, 11, 13-14, 21)

Effective retroactively for convictions of fraud beginning in calendar year 2026. The data sharing provisions are effective the day following final enactment.

Proposed Law: The bill imposes a tax on any person or organization convicted of fraud in a state or federal court. The tax is equal to 100% of the amount of money acquired by fraud of a public program. The tax is imposed regardless of any amount of restitution or penalty imposed on or paid by the person or organization. If multiple persons or organizations are convicted, the liability is joint and several. Any assessment of the tax is considered a jeopardy assessment or collection.

After the conviction, the agency responsible for administering the targeted public program must certify the person or organization, the defrauded program, and the amount of money the court determines the person or organization was responsible for in the conviction to the Commissioner of Revenue, regardless of the restitution amount. The convicted person or organization has the burden of establishing the certification's incorrectness.

In addition, the bill imposes a penalty on any person who receives money due to fraud of a public program, whether reported or not on a tax return and regardless of a criminal conviction. The penalty equals 100% of the amount received due to fraud.

Money collected from the tax and the penalty is to be deposited into a tax relief account established in the special revenue fund. By December 15 of each year, the Commissioner of Revenue must determine the amount of money in the account and whether there is enough funding to reduce the first income tax bracket by at least 0.1% for the following tax year. The rate reduction must be calculated to approximate the amount in the tax relief account and must be only for that year. If the rate is reduced, the amounts in the tax relief fund must be deposited into the general fund.

The Commissioner of Revenue may share active criminal investigative data with the Financial Crimes and Fraud Section (FCFS) of the Bureau of Criminal Apprehension, and the FCFC may disclose investigative data to the Commissioner, only to the extent necessary. Any data shared between the Department of Revenue and the FCFS is classified. Any returns and return information must be disclosed to the inspector general to carry out the duties specified in Minnesota Statutes Chapter 15E, provided that the legislature enacts that Chapter and establishes the inspector general.

EXPLANATION AND ANALYSIS OF THE BILL (cont.)

- The amount of future program fraud is unknown. The largest known incident of state program fraud is the Feeding our Futures case, which involved approximately \$250 million, according to a report by the Office of the Legislative Auditor (OLA).
- Minnesota Statutes requires the Bureau of Criminal Apprehension (BCA) to publish an annual report on FCFS activity in the past year. In 2025, state agencies reported 652 incidents of state program fraud with a suspected financial loss of \$10,000 or more. A small share of these incidents included estimated amounts of suspected or known fraud, totaling \$4.2 million. The BCA report does not include programs funded by federal dollars.
- Federal dollars allocated to Minnesota programs such as the Minnesota Housing Stability Services program and the Early Intensive Developmental and Behavioral Intervention benefit are currently under investigation for fraud by the U.S. Attorney's Office, District of Minnesota.
- Recovering defrauded funds is often slow and incomplete.
 - Of the total amount from the Feeding Our Future case, about \$75 million has been seized for restitution, according to news reports.
 - Other defrauded money is either lost or tied up in illiquid assets or internationally. For example, according to the OLA report criminals in the Feeding Our Future case spent the money on travel, entertainment, foreign property, and/or deposited the money in overseas accounts.
 - Perpetrators of fraud may have large restitution or penalty amounts that would be paid before the tax, making collection of the imposed tax even more difficult.
 - Additionally, since the tax is imposed on convicted persons or organizations, revenues may be further slowed down as court cases, legal challenges, or appeals can take several years to be completed.

Minnesota Department of Revenue
Tax Research Division
<https://www.revenue.state.mn.us/revenue-analyses>