

April 11, 2024

| | Yes | No |
|----------------------------------|-----|----|
| DOR Administrative Costs/Savings | X | |

Department of Revenue
Analysis of H.F. 5335 (Gomez) As Proposed to be Amended (H5335A5)

The bill would authorize local governments to impose, extend, or modify the uses of a local sales tax to finance a specified capital project. The bill defines a specified capital project as a convention center, library, park, sports complex, or trail. Before imposing the tax, the local government would need to receive voter approval and approval from the state auditor. If the specified capital project is a sports complex or convention center, the local government must meet additional requirements, including an analysis of the surrounding region and equal fees for residents and nonresidents.

The total tax rate imposed by a local government must not exceed one percent. Any existing local sales taxes count towards the one percent cap. The maximum collection period for a local sales tax would be 30 years. A public hearing must be held prior to seeking authority to impose a local sales tax. After the public hearing, a resolution must be adopted by the local government and at least two surrounding local governments must acknowledge the regional need for the project. If the local sales tax does not meet certain requirements, legislative approval must be granted.

The commissioner of revenue would be required to remit the proceeds of local sales taxes. One percent of the proceeds would be retained for the costs of administering, auditing, and collecting the local sales tax, one percent would be directed to the state auditor for direct and indirect costs of approving and auditing the tax, and fifteen percent would be retained as a share to be paid for equalization.

The bill would create a local sales tax equalization distribution. Fifteen percent of all new local sales taxes would be distributed among political subdivisions based on fiscal capacity. Existing local sales taxes would be exempt from the equalization distribution. The bill defines fiscal capacity as adjusted net tax capacity divided by population.

The bill would have no impact on state taxes.

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