



Request for Council Action

Originator Finance	Item 8.3 Local Option Sales Tax (LOST) Discussion
Agenda Section ORGANIZATIONAL BUSINESS	Date January 10, 2022

Requested Action:

Discussion only. No action requested.

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Item presented by: Jamie Verbrugge, City Manager

Description:

Beginning in 1997, the sales tax advisory council recommended that the legislature adopt model statutory language for the imposition and administration of local sales taxes. The goal was to create consistency in the application of new and existing local taxes that would (1) ease the compliance costs for businesses located outside the taxing jurisdiction who were required to collect the local tax, and (2) simplify the Department of Revenue’s administration of these taxes.

To date, nearly 80 local units of government have been granted authority to impose a local option sales tax, including Minneapolis, St. Paul and outstate hubs, such as Duluth, Rochester and Mankato. This authority is common and the cities of Oakdale, Edina and Maple Grove recently sought the authority in 2020.

The City of Bloomington has twice received legislative authorization related to South Loop / around the Mall of America but those very specific sales taxes have not yet been implemented.

In 2019, the legislature made major modifications to both the process of seeking sales tax authority and to the types of projects to be funded from sales tax revenues. In addition it required some cities granted local sales tax authority in the 2019 session to go back and pass more detailed resolutions before imposing a tax. Below is a timeline of major changes to this statute:

- Requires a local government to pass a more detailed resolution outlining and limiting the specific projects to be funded to no more than five and providing more project specific costs, and documentation of a project’s regional significance by the end of January in the year in which a local sales tax authority is

sought.

- Also requires that voter approval be sought only after the authority is granted and requires the voters to approve each project to be funded in a separate question in a general election. Only projects that are approved by the voters may be funded with the tax, and the tax authority will be adjusted down to reflect any project Local Sales Tax in Minnesota

Eighteen cities won approval to add or extend a sales tax in 2019. West St. Paul, Rogers, Excelsior and Elk River also imposed a local sales tax in 2019 and 2020.

At its December 20, 2022 meeting, the City Council had the opportunity to ask questions about the Local Option Sales Tax. While many of the questions were addressed in the meeting, the staff did some additional research. One key question centered on the regressive nature of the sales tax, meaning that lower income individuals often pay a higher percentage of their income on the tax. A question was asked if there was any way to exempt individuals from the tax. After researching, there is no mechanism for individual exemptions from a Local Option Sales Tax.

Local Referendum Process

Below is a sample timeline for the City of Bloomington to consider a Local Option Sales Tax (LOST)

- January 18, 2022 – Council would discuss with our legislators Bloomington’s 2022 Legislative agenda.
- January 24, 2022 – Council would be requested to pass resolutions for each of the projects.
- January 31, 2022 – These resolutions would then be sent to members of the legislative tax committee.
- February-May 2022 – Council, Legislators and staff to provide education on the 4 projects.
- June –November 2022 - Should the LOST legislation be successful, educational activities would continue through early November when residents will be asked to approve a local option sale tax at the individual project level at the general election. If any of the projects do not pass, the Minnesota Department of Revenue would recalculate the reduction needed.
- January 2023 – Should all projects pass the general election, the Minnesota Department of Revenue will notify the businesses collecting the sales taxes to inform them of additional changes.

Proposed Projects

- Bloomington Ice Garden - \$32M
- Community Health and Wellness Center - \$70M (Replacement of Public Health and Senior Center)
- Bloomington Center for the Arts Concert Hall Expansion - \$33M
- Dwan Golf Course Clubhouse Replacement - \$15M

Attachments:

[Presentation](#)