

To: City Council Members

From: Gene Ranieri

Date: May 18, 2012

Re: Summary of Article 3 of Laws 2012 Chapter 299 (Stadium bill)

Article 3 of Chapter 299 is entitled, "Minneapolis Convention Center." The article includes amendments to the city's special law (Laws 1986 Chapter 396), language related to the city charter, an exemption from the general law local sales tax requirements and a new section of law related to the allocation of sales taxes by the Minnesota Commissioner of Revenue.

Throughout the Article there are references to Chapter 297A.99. The chapter was first enacted in 2000 and has been amended several times including in 2011. Chapter 297A.99 governs the passage, termination and administration of local sales taxes. The provisions of the chapter apply to not only special laws passed after the passage of the chapter but also, except for some exceptions, to local sales taxes in effect at the time of passage and adoption of amendments. A link to the chapter follows:

<https://www.revisor.leg.state.mn.us/statutes/?id=297A.99>

In some parts of the chapter it is not clear if the convention center taxes are governed by its provisions. Therefore Article 3 contains exemptions from the subdivisions of Chapter 297A.99.

The following is a section by section summary of Article 3.

Section 1. City of Minneapolis Sales Tax: Allocation of Revenues. The section outlines the procedures for the city and Commissioner of Revenue to follow in allocating the tax revenues generated from the local sales taxes. The procedures are in lieu of the general law provision (Chapter 299A.99 subdivision 11) that govern the collection and associated fees charged by the Department of Revenue for local sales taxes collection and remittance to the city. The remittance should be made at least quarterly. Subdivisions 1 to 3 define terms, outline the scope of the section and the general allocation of revenues.

Subdivision 4 of the section identifies the allocation of the sales tax amounts to the state general fund for five purposes. The purposes are for:

- 1) state bond (stadium) debt service beginning in calendar year 2021 through year 2046. The total amount to be paid for the debt service is an aggregate amount equal to a present value of \$150.0 million. The determination of the calculations of present value and other components are the responsibility of the Commissioner of Revenue who must consult with the Commissioner of Management and Budget.
- 2) The capital improvement reserve appropriation to the Minnesota Sports Facilities Authority (MSFA) beginning in calendar year 2021 through 2046.
- 3) The operating expense appropriation to the MSFA beginning in 2021 through 2046.

- 4) The recapture of state advances for capital improvements and operating expenses for calendar years 2016 through 2021. The determination of discount rates and other calculations must be made by the Commissioner of Revenue in consultation with the Commissioner of Management and Budget.
- 5) Increases in taxes imposed by the special law for the MSFA beginning in calendar year 2013 and for each year to 2046 an amount equal to:
 - a) 50% of the difference, if any, by which the amount of the net annual taxes for the previous year exceeds the net actual taxes in 2011 plus \$1.0 million inflated by 2% per year since 2011, minus
 - b) 25% of the difference, if any, by which the net annual taxes for the preceding year exceeds the net actual taxes in 2011 plus 3.0 million inflated at 2% per year since 2011.

Section 2. Sales and Use Tax. The section amends the city's convention center special law. The changes are generally technical updates to statutory references or deletion of obsolete language.

Subdivision 1. The subdivision amends the current special law by inserting cross references to Chapter 297A.99 and deleting obsolete language. The subdivision also requires that the sales tax cannot be terminated prior to January 1, 2047. The provision of chapter noted in this subdivision relate to tax base (subdivision 4), exemptions (subdivision 7), credits for other local taxes (subdivision 8) and effective dates (subdivision 12). Chapter 297A.994 is section 1 of Article 3.

Subdivision 2 adds a reference to section 299A.99 which discusses the cost of collecting revenues by the Department of Revenue.

Subdivision 3 deletes language related to the cost of collection. The collection language is in section 1.

The new language in clause (5) relates to the economic development activities included in subdivision 4 of the convention center law.

Subdivision 4 amends the 2009 amendment to the convention center law that permitted the use of the city sales tax for the economic development purposes. The amendments in subdivision 4 of Article 3 authorize the expenditure of the other three taxes for economic development purposes and identifies the Target Center improvements as an eligible use of the tax revenues. The city may also issue bonds to finance projects and improvements authorized by the subdivision.

Section 3 Liquor, Lodging and Restaurant Taxes. The reference to section 473.592 which relates to the Metrodome financing and Target Center purchase in clauses 1 and 2 is deleted. The non-termination language prior to 2047 is added in clause 3. The clause also states that the

three taxes (liquor, restaurant and lodging) may be imposed and adjusted by the city. The clause further directs that the revenue must first be used for the purposes outlined in section 1.

Section 4. Charter Limitations: Requirements Not To Apply. The language was added by the conference committee. The language is similar to the language included in the stadium bill as introduced.

The Senate included amended exemption language in its bill while the House did not have a similar provision.

Section 5. Severability: Savings. The section states that if any part of the Article is found invalid because of a conflict with a provision of the Minnesota Constitution or for any other reason, all other parts of the article shall remain valid.

Section 6. Local Sales Tax Requirements Not To Apply. The section exempts the convention center taxes from two subdivisions of chapter 297A.99. Subdivision 2 defines one of the procedures necessary to have a local sales tax approved. The procedure requires the passage of a city council resolution approving the tax and must include information on the proposed tax rate, the use of the revenues, the total amount of revenue to be raised and the estimated length of time the tax will be in effect. The subdivision applies to laws enacted after June 30, 1998.

Subdivision 3 further defines the procedure to adopt a local sales tax. A referendum is required prior to requesting legislative approval. The proceeds of the tax must be used exclusively to pay for the costs of a specific capital improvement. The tax must terminate after the designated improvement has been completed. The subdivision also imposes a one year waiting period after the termination of the tax to propose a new tax. The total section including the noted subdivisions applies to all sales taxes that were authorized before, on or after June 2, 1997.

Section 7. Local Approval. Article 3 is a special law and therefore for the law to be effective, the city council must follow the procedures in Minnesota Statutes 645.021 subdivisions 2 and 3. The statute requires a city council action approving the law and filing of the approval and related documents with the Secretary of State. The approval clause in Article 3 requires local approval within thirty days of final enactment.