


REQUEST FOR COUNCIL ACTION

Date: February 28, 2011
Item No.: 12.f

Department Approval

City Manager Approval



Item Description: Resolution Supporting Local Option Sales Tax

1 **BACKGROUND**

2 At the January 24, 2011 City Council meeting, Roseville’s legislative delegation suggested that
3 it may be a good time for Roseville to ask the Legislature for the authority to seek approval of a
4 local option sales tax for capital investments through a voter referendum.

5 Like most cities, Roseville has substantial capital investment needs. This is due, in part, to, the
6 economic downturn, minimal capital investment over the years, and the age of our City’s
7 infrastructure. The City is facing two particular needs – investment in a new fire station and
8 investment in the parks system.

9 The City currently has three fire stations, each in substantial disrepair. A Fire Department
10 Building Facilities Needs Committee has evaluated the City’s fire station needs and estimate that
11 it would cost about \$7.2 million to build a new fire station.

12 A Parks and Recreation Community Advisory Team conducted a community-wide assessment of
13 the City’s parks and recreation. The planning committee engaged thousands of residents in
14 conversations and identified the wants and needs of the community. They estimate that it will
15 cost about \$89 million to meet those needs.

16 Roseville currently has a 7.125% sales tax. A half-cent sales tax increase would generate
17 approximately \$6.4 million year. The City would have to collect the tax for approximately 15
18 years to raise the \$96.2 million.

19 State Statute §297A.99 states “before the governing body of a political subdivision requests
20 legislative approval of a special law for a local sales tax that is administered under this section, it
21 shall adopt a resolution indicating its approval of the tax. The resolution must include, at a
22 minimum, information on the proposed tax rate, how the revenues will be used, the total revenue
23 that will be raised before the tax expires, and the estimated length of time that the tax will be in
24 effect”

25 **POLICY OBJECTIVE**

26 To effectively fund the needs of the community.

27 **FINANCIAL IMPACTS**

28 Depending upon timing of referendum - election costs associated with an odd year election. The
29 two schools districts in Roseville will hold elections in November, so if the City conducted the
30 referendum in conjunction with the school district elections, the City’s share of the costs would
31 be minimal.

32 **STAFF RECOMMENDATION**

33 Pass a resolution supporting a local option sales tax.

34 **REQUESTED COUNCIL ACTION**

35 Pass a resolution supporting a local option sales tax.

36

Prepared by: William J. Malinen

Attachments: A: MN Statute §297.99
B: Draft Resolution
C: Parks and Recreation request

2010 Minnesota Statutes

297A.99 LOCAL SALES TAXES.

Subdivision 1. **Authorization; scope.** (a) A political subdivision of this state may impose a general sales tax (1) under section 297A.992, (2) under section 297A.993, (3) if permitted by special law enacted prior to May 20, 2008, or (4) if the political subdivision enacted and imposed the tax before January 1, 1982, and its predecessor provision.

(b) This section governs the imposition of a general sales tax by the political subdivision. The provisions of this section preempt the provisions of any special law:

(1) enacted before June 2, 1997, or

(2) enacted on or after June 2, 1997, that does not explicitly exempt the special law provision from this section's rules by reference.

(c) This section does not apply to or preempt a sales tax on motor vehicles or a special excise tax on motor vehicles.

(d) Until after May 31, 2010, a political subdivision may not advertise, promote, expend funds, or hold a referendum to support imposing a local option sales tax unless it is for extension of an existing tax or the tax was authorized by a special law enacted prior to May 20, 2008.

Subd. 2. **Local resolution before application for authority.** Before the governing body of a political subdivision requests legislative approval of a special law for a local sales tax that is administered under this section, it shall adopt a resolution indicating its approval of the tax. The resolution must include, at a minimum, information on the proposed tax rate, how the revenues will be used, the total revenue that will be raised before the tax expires, and the estimated length of time that the tax will be in effect. This subdivision applies to local laws enacted after June 30, 1998.

Subd. 3. **Requirements for adoption, use, termination.** (a) Imposition of a local sales tax is subject to approval by voters of the political subdivision at a general election.

(b) The proceeds of the tax must be dedicated exclusively to payment of the cost of a specific capital improvement which is designated at least 90 days before the referendum on imposition of the tax is conducted.

(c) The tax must terminate after the improvement designated under paragraph (b) has been completed.

(d) After a sales tax imposed by a political subdivision has expired or been terminated, the political subdivision is prohibited from imposing a local sales tax for a period of one year. Notwithstanding subdivision 13, this paragraph applies to all local sales taxes in effect at the time of or imposed after May 26, 1999.

Subd. 4. **Tax base.** (a) The tax applies to sales taxable under this chapter that occur within the political subdivision.

(b) Taxable goods or services are subject to a political subdivision's sales tax, if they are sourced to the political subdivision pursuant to section 297A.668.

Subd. 5. **Tax rate.** (a) The tax rate is as specified in the special law authorization and as imposed

by the political subdivision.

(b) The full political subdivision rate applies to any sales that are taxed at a state rate, and the political subdivision must not have more than one local sales tax rate or more than one local use tax rate. This paragraph does not apply to sales or use taxes imposed on electricity, piped natural or artificial gas, or other heating fuels delivered by the seller, or the retail sale or transfer of motor vehicles, aircraft, watercraft, modular homes, manufactured homes, or mobile homes.

Subd. 6. Use tax. A compensating use tax applies, at the same rate as the sales tax, on the use, storage, distribution, or consumption of tangible personal property or taxable services.

Subd. 7. Exemptions. (a) All goods or services that are otherwise exempt from taxation under this chapter are exempt from a political subdivision's tax.

(b) All mobile transportation equipment, and parts and accessories attached to or to be attached to the equipment are exempt, if purchased by a holder of a motor carrier direct pay permit under section 297A.90.

Subd. 8. Credit for other local taxes. If a person paid sales or use tax to another political subdivision of this state on an item subject to tax under this section, a credit applies against the tax imposed under this section. The credit equals the tax the person paid to the other political subdivision for the item.

Subd. 9. Enforcement; collection; and administration. (a) The commissioner of revenue shall collect the taxes subject to this section. The commissioner may collect the tax with the state sales and use tax. All taxes under this section are subject to the same penalties, interest, and enforcement provisions as apply to the state sales and use tax.

(b) A request for a refund of state sales tax paid in excess of the amount of tax legally due includes a request for a refund of the political subdivision taxes paid on the goods or services. The commissioner shall refund to the taxpayer the full amount of the political subdivision taxes paid on exempt sales or use.

(c) A political subdivision shall incur a legal debt to the state for refunds of local sales taxes made by the commissioner after a tax has terminated when the amount of the refunds exceeds the amount of local sales taxes collected for but not remitted to the political subdivision. The commissioner of revenue shall bill the political subdivision for this difference. The commissioner shall deposit the money in the state treasury and credit it to the general fund.

Subd. 10. Use of zip code in determining location of sale. The lowest combined tax rate imposed in the zip code area applies if the area includes more than one tax rate in any level of taxing jurisdictions. If a nine-digit zip code designation is not available for a street address or if a seller is unable to determine the nine-digit zip code designation of a purchaser after exercising due diligence to determine the designation, the seller may apply the rate for the five-digit zip code area. For the purposes of this subdivision, there is a rebuttable presumption that a seller has exercised due diligence if the seller has attempted to determine the nine-digit zip code designation by utilizing software approved by the governing board that makes this designation from the street address and the five-digit zip code of the purchaser. Notwithstanding subdivision 13, this subdivision applies to all local sales taxes without regard to the date of authorization. This subdivision does not apply when the purchased product is received by the purchaser at the business location of the seller.

Subd. 11. Revenues; cost of collection. The commissioner shall remit the proceeds of the tax, less refunds and a proportionate share of the cost of collection, at least quarterly, to the political subdivision. The commissioner shall deduct from the proceeds remitted an amount that equals

(1) the direct and indirect costs of the department to administer, audit, and collect the political subdivision's tax, plus

(2) the political subdivision's proportionate share of the indirect cost of administering all taxes under this section, plus

(3) the cost of constructing and maintaining a zip code or geo-code database necessary for local sales tax collections under the Streamlined Sales and Use Tax Agreement in section 297A.995.

The initial cost of constructing a database under clause (3) shall be distributed among the cities with a local sales tax based on each city's population. The commissioner shall develop a method for distributing the cost of maintaining the database among the cities with a local sales tax based on the number of boundary changes for each city.

Subd. 12. Effective dates; notification. (a) A political subdivision may impose a tax under this section starting only on the first day of a calendar quarter. A political subdivision may repeal a tax under this section stopping only on the last day of a calendar quarter.

(b) The political subdivision shall notify the commissioner of revenue at least 90 days before imposing, changing the rate of, or repealing a tax under this section.

(c) The political subdivision shall change the rate of tax imposed under this section starting only on the first day of a calendar quarter, and only after the commissioner has notified sellers at least 60 days prior to the change.

(d) The political subdivision shall apply the rate change for sales tax imposed under this section to purchases from printed catalogs, wherein the purchaser computed the tax based upon local tax rates published in the catalog, starting only on the first day of a calendar quarter, and only after the commissioner has notified sellers at least 120 days prior to the change.

(e) The political subdivision shall apply local jurisdiction boundary changes to taxes imposed under this section starting only on the first day of a calendar quarter, and only after the commissioner has notified sellers at least 60 days prior to the change.

Subd. 12a. Notification of use tax. Any political subdivision imposing a local sales and use tax, which maintains an official Web site, must display on its main home page a link to a notice that residents and businesses in the political subdivision may owe a local use tax on purchases of goods and services made outside of the political subdivision limits. The notice must provide information, including a link to any relevant Department of Revenue Web site, on how the taxpayer may get information and forms necessary for calculating and paying the tax. If the political subdivision provides and bills for sewer, water, garbage collection, or other public utility services, the billing statement must also include at least once per year a notice that residents and businesses may owe a local use tax on purchases made outside of the political subdivision limits and provide information on how the taxpayer may get information and forms necessary for calculating and paying the tax.

Subd. 13. Application. This section applies to all local sales taxes that were authorized before, on,

or after June 2, 1997.

History: 2000 c 418 art 1 s 42; 1Sp2001 c 5 art 12 s 81-83; 2003 c 127 art 1 s 28-30; 2005 c 151 art 7 s 22; 1Sp2005 c 3 art 5 s 22,23; 2006 c 259 art 6 s 30; 2008 c 152 art 4 s 1; 2008 c 366 art 7 s 7

**EXTRACT OF MINUTES OF MEETING
OF THE
CITY COUNCIL OF THE CITY OF ROSEVILLE**

* * * * *

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of Roseville, County of Ramsey, Minnesota was duly held on the 28th day of February, 2011, at 6:00 p.m.

The following members were present:

and the following were absent: .

Member introduced the following resolution and moved its adoption:

RESOLUTION No.

Local Option Sales Tax

WHEREAS, The economic downturn, minimal capital investment over the years, and the age of our City’s infrastructure, has led to Roseville having substantial capital investment needs; and

WHEREAS, The City is facing two particular capital investment needs – investment in a new fire station and investment in the parks system; and

WHEREAS, The City currently has three fire stations, each in substantial disrepair. A Fire Department Building Facilities Needs Committee has evaluated the City’s fire station needs and estimate that it would cost about \$7.2 million to build a new fire station; and

WHEREAS, A Parks and Recreation Community Advisory Team conducted a community-wide assessment of the City’s parks and recreation. The planning committee engaged thousands of residents in conversations and identified the wants and needs of the community. They estimate that it will cost about \$89 million to meet those needs; and

WHEREAS, Roseville currently has a 7.125% sales tax; and

WHEREAS, A half-cent sales tax increase would generate approximately \$6.4 million year. The City would have to collect the tax for approximately 15 years to raise the \$96.2 million.

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46 NOW, THEREFORE, BE IT RESOLVED, that the City of Roseville hereby request that
47 the Minnesota Legislature gives Roseville the authority to seek a Citywide
48 referendum proposing 15-year half-cent sales tax to commence in 2013
49 until 2028 to fund Roseville's Fire and Parks and Recreation needs.

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52 The motion for the adoption of the foregoing resolution was duly seconded by Member

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54 , and upon a vote being taken thereon, the following voted in favor thereof:

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56 and the following voted against the same: none.

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58 WHEREUPON said resolution was declared duly passed and adopted.

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Sales Tax Categories 2-22-11
Take #2

Park Projects per Master Plan	\$19M
Park Land Acquisition	\$ 5M
Pathway System Additions and Improvements	\$ 5M
Community Center	\$25M
Natural Resource Restoration	\$ 5M
Sports Field Complex including land acquisition	\$20M
Perpetuating Trust Fund for Parks and Recreation	\$10M
Perpetuating Trust Fund for New Community Center	\$?????
Perpetuating Trust Fund for Pathway System Additions	<u>\$?????</u>
	\$89M