



May 7, 2020

Rep. Paul Marquart
597 State Office Building
St. Paul, MN 55155

Rep. Marquart,

The League of Minnesota Cities would like to express our support for several provisions of the delete-all amendment (A20-0770) to HF3389, the 2020 House omnibus tax bill.

The League supports Article 1, Section 6, which provides for an interim distribution of property tax receipts by counties to cities and other local taxing jurisdictions. With the economic challenges being felt by citizens and businesses and due to counties waiving late-payment penalties, many cities are concerned that delays in property taxes will negatively impact cash flow needs. Having clarity on an interim property tax distribution to cities and other local units of government would be helpful for the cash flow requirements faced by these entities.

The League supports Article 1, Sections 7 and 8. The League has worked closely with the office of the State Auditor to assure that cities comply with statutory reporting requirements which permit cities to receive their distributions of Local Government Aid. Occasionally, cities are unable to initially meet these requirements and the League works with the city and the Office of the State Auditor to comply with state requirements. However, if the compliance fails to meet statutory deadlines, a city can still not qualify for their LGA distribution. In Article 1, sections 7 and 8, this amendment includes accommodations for the cities of Sergeant (Mower County) and Roosevelt (Lake of the Woods County) who have or are working to comply with these reporting requirements.

The League has supported a general simplification of the sales tax exemption on materials for local government capital projects. Although the general simplification is not included in this amendment, we support language in Article 5, Section 2 which assures that these local governments are exempt from paying the state sales tax on materials used in these essential municipal facilities. We appreciate the language included that provides exemptions for the cities of Minnetonka, Maplewood, Buffalo, Crystal, Grand Rapids, Bloomington and St. Peter.

Although we do not have a specific position on the permanent extension of the tax increment financing five year rule for cities in Greater Minnesota, in 2009 during the Great Recession, the League supported the statewide extension of the five-year rule to ten-years for redevelopment and renewal/renovation districts and in 2014, the League supported the statewide extension of the five-year rule to eight years for redevelopment districts. The committee should consider whether a

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Page 2

temporary general extension for all cities should be included in the bill. This year there have been two TIF five-year rule extension requests submitted by metro cities (Ramsey and Maple Plain) and the League would suggest that based on the current economic circumstances, the addition of a temporary metro extension would be helpful for development and redevelopment projects in the seven-county metro area.

The League supports Article 6, sections 5 and 6 that clarifies that local lodging taxes collected directly by local governments apply to the entire price of lodging including services provided by accommodation intermediaries (on-line lodging providers). This clarification conforms to the definitions used for the state sales tax and for local lodging taxes currently collected by the state.

Finally, the delete-all amendment also includes in Article 6, sections 2 and 7 several provisions that provide cities with temporary flexibility to use revenues otherwise dedicated to specific uses, such as tax increment financing revenues and tax revenues from general sales taxes, food and beverage taxes, liquor taxes, admissions and amusement taxes and certain lodging taxes, to pay for critical city needs. These changes would allow cities to decide in these challenging times how best to deploy resources during the pandemic.

Thank you for your consideration of the positions of the League of Minnesota Cities.

Sincerely,

A handwritten signature in cursive script that reads "Gary N. Carlson".

Gary Carlson
League of Minnesota Cities