MINNESOTA INTER-COUNTY ASSOCIATION

Sent Via Email

May 9, 2024

Representative Aisha Gomez, Chair
House Tax Committee
453 State Office Building
Saint Paul, MN 55155

Senator Ann Rest, Chair
Senate Tax Committee
328 Minnesota State Capitol
Saint Paul, MN 55155

Chair Gomez, Chair Rest and Tax Conference Committee Members,

As you work to resolve differences between HF5247 and HF5247-1UE, the 2024 House and Senate Tax Bills respectively, the 15 member-counties of the Minnesota Inter-County Association (MICA) voice support for the following provisions:

- **Increased Solid Waste Management Tax (SWMT) Allocation**: County governments are accountable for meeting, by 2030, the state-determined goal to recycle 75% of solid waste generated in the metropolitan area and 35% outside the metro area. Despite significant investments of local funds, recycling rates have been stuck at around 40-45%. Additional funding is needed to move the needle. We prefer the higher funding increase proposed by the Senate ($3.252 million) and recognize that both bills continue efforts begun last session toward fully allocating all SWMT revenue to waste management activities.

- **Local Homeless Prevention Aid Increase, Sunset Repeal:** This new aid established in 2021 as a six-year pilot, with initial aid distributions beginning in 2023, is already being used by counties to improve housing stability for families and help keep kids in school. Examples include providing emergency assistance and temporary hotel housing to keep families together, imbedding social workers and case management workers in schools, and plans to expand access to youth shelters and safe places. We support the House position to both increase aid by $5 million and repeal the 2028 sunset date to allow counites to establish programs with the certainty that funding will continue.

- **Local Sales and Use Tax Authorization** (House and Senate, Article 6). Access to local sales tax base has become an increasingly important tool for local governments to fund regional infrastructure but is only available through special law authorization. We support authorizing the opportunity for all counties to have more options to fund occasional, large-scale, and costly capital projects having regional benefit. We prefer:

  - House definitions for libraries, parks, and trails, including allowing all counties in the state the same opportunity to impose a sales tax for these purposes.
  - The inclusion of correctional, district court, and law enforcement centers in both bills although we recommend modifying language to recognize that a law enforcement center that serves a region must include a combination of, but not necessarily all, the functions currently listed in both bills. Clarification is also requested to exclude county facilities from the requirement for supporting resolutions from surrounding governing bodies; that requirement will vary across the state, with some counties having more, if not many more, bordering jurisdictions even as such county facilities already inherently serve a broader region.

  Additionally, we respectfully urge that local tax base equalization and equitable access to community amenities is better achieved by statewide local aid programs rather than the Local Sales Tax Equalization as proposed in HF5247.

- **Institutions of public charity** (House Only): We support clarifying state law and policy for taxation of residential properties owned and leased by institutions following the recent state Supreme Court decision in *Alliance Housing v. Hennepin County*. The state-determined property tax classification system has long been intentional in addressing preferential taxation for low-income rental housing through the class 4d program. We encourage that adopting language this session is needed to best support property tax base stability going forward, including how the property tax system and property tax refunds can best support low-income housing and low-income tenants.

Finally, we also support modifying the definitions of qualifying projects and uses for **Local Affordable Housing Aid (LAHA)**. Those changes would better align funding with local housing needs and opportunities, including allowing funds to be used for supportive housing services (HF5247-1UE, Article 2, sections 16 and 17 and House Housing Supplemental Bill). LAHA only recently began to provide significant funding for cities and counties in the metropolitan area to design and implement local solutions to address housing affordability. Recipients are broadly working in good faith to implement this new resource as intended to expand available housing units. We respectfully urge that those local efforts continue without the imposition of a permanent, inflexible maintenance of effort requirement (MOE). Specifically, we oppose the MOE proposed in HF5247-1UE, Article 2, section 18, and encourage that if any requirement is imposed that it be sunset at a specified date.

Thank you for your consideration.

Matt Massman, *Executive Director*
Minnesota Inter-County Association

May 10, 2024

The Honorable Aisha Gomez, Chair
Taxes Conference Committee
453 State Office Building
St. Paul, MN 55155

The Honorable Ann Rest, Chair
Taxes Conference Committee
Capitol, Room 328
St. Paul, MN 55155

Re: Hospitality Minnesota Support for Positive Hospitality Provisions in HF5247

Dear Chair Gomez, Chair Rest, and Tax Conferees:

We appreciate the opportunity to weigh in on HF5247 and address the benefits portions of the bill provides for the hospitality industry across the state of Minnesota. Hospitality Minnesota is the trade organization for Minnesota's restaurants and foodservice, hotels and lodging, and resort and campground sectors. **We encourage the conference committee to consider adoption of the following provisions:**

House Article 2, Section 5: Class 1C Homestead Resort Tier Adjustment: The adjustment of these tiers will help maintain the property tax relief that the legislature intended to help family-owned resorts remain viable businesses. The resort tiers have not been adjusted since 2008, and lakeshore valuations have increased dramatically over the past 5 years given the high demand for lake property. We have under 700 resorts remaining in Minnesota and this overdue adjustment would help them with their largest business expenses. Additionally, our resorts have faced one of the warmest winters on record, leaving financial concerns for our resorts who operate year-round.

House Article 7, Sections 1 and 2: Full Collection of Local Lodging Tax: These provisions state that local lodging taxes apply to the whole price of lodging charged to the customer, including services provided by accommodation intermediaries (i.e., online booking agencies). **Most importantly, this will even the playing field and ensure that our tourism partners (convention and visitors bureaus) receive full funding**.

Currently, only state administered lodging taxes require the lodging tax to be wholly applied. This leaves over 110+ cities with locally administered lodging taxes, many of which are in Greater Minnesota, unable to collect the full lodging tax. The lodging tax is a critical

Hospitality
MINNESOTA
THE LODGING, RESTAURANT, RESORT AND CAMPGROUND ASSOCIATION

tool that allows our convention and visitors bureau partners to drive tourism to their communities. While we do not it expect to generate significant revenue, as we continue to see the rising trend of online bookings, it is important that we are not leaving tourism dollars on the table. Each and every dollar collected is reinvested back into tourism marketing for that community.

House Article 7, Sections 3 and 4: Lowering of Minneapolis Food and Beverage Tax with Expansion of Downtown Taxing Area: We appreciate a lowering of the food and beverage tax in downtown Minneapolis' taxing area from 3% to 2.5%, while at the same time better incorporating the boundaries of the downtown entertainment district. It is important our downtown partners are on an equal footing, and a slightly lower rate that includes all appropriate properties will yield better benefits for Minneapolis.

The provisions listed above will provide a much-needed positive impact to hospitality businesses across Minnesota and we encourage their adoption. Should you have any questions, please reach out to me at jill@hospitalitymn.com.

Thank you for your consideration.

Sincerely,

Jill Sims
Director of Government Relations
Hospitality Minnesota

The Nature Conservancy
Protecting nature. Preserving life.™

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Senator Ann Rest
Senate Committee on Taxes
Capitol 328
Saint Paul, MN 55155

Rep. Aisha Gomez
House Taxes Committee
453 State Office Building
Saint Paul, MN 55155

May 9, 2024

RE: Conference Committee on HF 5247, Leased Conservation Land Exemption

Dear Chair Rest, Chair Gomez, and members of the Conference Committee on HF 5247,

Thank you for the opportunity to comment on the proposals before the Conference Committee. The Nature Conservancy (TNC) works to help people and nature thrive by partnering with communities to overcome barriers to climate and biodiversity solutions, and one of the tools to do that is conservation grazing.

The Senate language Article 2, Section 1 constitutes a narrowly focused and targeted provision that would support TNC's ability to conduct prairie management on certain tax-exempt lands by enabling the use of rotational, ecologically driven cattle grazing by private ranchers as a conservation tool. **We encourage the committee to adopt the Senate's proposed language in this provision (Senate UEH5247-1, Article 2, Section 1).** This bipartisan legislation was originally introduced as HF3953 (Brand)/SF4216 (Weber).

Cattle grazing is an important component in maintaining the health and vigor of our state's grasslands and is widely recognized as a cost-effective tool for prairie management. Targeted conservation grazing is generally very limited in both space and duration. When strategically employed in this manner, grazing helps control invasive species like cool-season, nonnative grasses, which are one of the greatest threats to our prairies.

With roughly one percent of native prairie remaining in the state of Minnesota, it is crucial we can employ the best conservation management practices, like cattle grazing, to restore these landscapes into the flourishing habitats that provide environmental benefits for Minnesota into the future.

This **budget-neutral provision** – deemed negligible in cost by the Minnesota Department of Revenue -- provides innumerable conservation and environmental benefits, including robust habitat for wildlife and pollinators, carbon sequestration, and preservation of native grasses, to restore the health of our native prairies and grasslands via otherwise tax-exempt parcels.

Sincerely,

Stephanie Pinkalla
Government Relations Director
The Nature Conservancy in Minnesota

Angelica Anderson
Government Relations Specialist
The Nature Conservancy in Minnesota

MUNICIPAL LEGISLATIVE COMMISSION

May 9, 2024

Chair Rest, Chair Gomez, and Omnibus Tax Bill Conferees,

As a collective of 19 cities representing nearly one million residents across the seven-county metropolitan area, the Municipal Legislative Commission (MLC) appreciates the opportunity to share comments on the local sales tax provisions in the House and Senate Omnibus Tax bills.

MLC supports the repeal of the local sales tax moratorium in the Senate version and generally supports the local sales and use tax changes proposed in the Senate bill. These provisions reflect many of the recommendations made by the Local Taxes Advisory Task Force and will provide a clearer, more predictable pathway for future local sales tax requests. However, we would encourage the conference committee to consider a couple of modifications to the sales tax provisions related to metro parks and trails and the rising costs of projects from approval to construction.

Including Metro Parks and Trails

Currently, 67% of all cities that collect a local sales tax are authorized to spend proceeds on streets or trails. MLC cities would like to have the same authority. Public trails not only maintain community health and wellness but also provide critical connections to regional trails. While local trails were not considered in the development of the statewide Parks and Trails Legacy Plan, they play a vital role in the overall trail network. For this reason, we believe that using the Parks and Trails Legacy Plan for even three of the five criteria would not allow for reasonable trail construction by cities. Instead, we support including metro parks and trails as pre-approved projects for the use of local sales tax dollars.

Accounting for Growing Project Costs

Local sales tax-funded projects often face significant cost increases due to the lengthy timeframe between when a project is proposed and when actual construction begins. In addition, the recent pandemic has impacted material, labor and supply chain timelines, which all impact project costs. For example, in 2021 the legislature authorized the city of Maple Grove to raise $90 million, plus associated issuance and interest costs, through a local sales tax. The following year, in 2022, Maple Grove residents voted to approve this measure. However, over the three years since authorization, the city's project costs have risen by nearly 20% compared to initial projections.

To address this issue, MLC proposes including an inflationary escalator based on the Consumer Price Index (CPI). This escalator would apply to any local option sales tax authorized by the legislature and voters within the past five years. The CPI would be calculated from the time the legislation was authorized until project construction begins. Authorizing an inflationary escalator would give cities the funds necessary to cover actual project costs, ensuring that critical infrastructure and community development initiatives are completed as planned.

MLC has several concerns with the sales tax provisions included in the House bill. Specifically:

Tax Equalization Provisions

Under the House bill, cities would be required to divert 15% of the total sales taxes collected to a tax equalization account to be redistributed to qualified cities. MLC does not believe tax equalization measures belong in local sales tax legislation. All Minnesota cities with local sales taxes, both current and future, should be treated equitably. Many programs already exist to provide tax equalization, such as local government aid, metro fiscal disparities, property tax circuit breakers, and income tax credits. Tax equalization should mean that each community has the same opportunity, via referendum, to implement a local sales tax as has been done in cities throughout the state for over 50 years.

Limitations on Similar Facilities

In the House bill, no similar facilities (e.g., ice centers, community centers, or convention centers) can be built within an 8-mile radius of a city that has implemented a local sales tax for such a project. This provision would effectively eliminate the potential for expanding or creating new community facilities in several metro-area cities. For example, there are already 8 such facilities in 8 different cities within an 8-mile radius of Plymouth. This provision also does not consider equitable access for residents who rely on public transit. We strongly oppose this unrealistic and unnecessary requirement.

Requiring Support from Surrounding Cities

The House language would require letters or resolutions of support from at least two surrounding local governments before a city can implement a local sales tax. We believe this serves no purpose other than to potentially pit cities against each other. Municipal voters should have the final say in each community. Seeking permission from neighboring cities provides no value to cities or the state and could undermine collaboration efforts.

Justifying "Regionality"

Finally, the House bill requires cities to pass a resolution documenting the "regional benefit" of proposed projects. Theoretically, a greater Minnesota city with a regional population of 5,000 could show a regional benefit, while a large suburb of 80,000 with 600,000 residents nearby would still have to justify its regional impact. For the state's largest cities, this exercise seems baseless. All cities over 50,000 in population should be considered regional and exempt from this requirement.

The MLC appreciates your consideration of these concerns and suggested changes to the local sales tax provisions in the final Omnibus Tax bill. We look forward to working with you to provide cities with the flexibility to utilize local sales taxes effectively and efficiently for the benefit of our communities.

Sincerely,

James Hovland
Chair, MLC
Mayor, City of Edina

MOMA
Minnesota
Operators of
Music and
Amusements

May 9, 2024

Dear Taxes Conference Committee Member:

I am writing on behalf of the Minnesota Operators of Music and Amusements (MOMA), which is an association of dozens of family-owned small businesses throughout the state who own and operate amusement devices, video games, pool tables and darts in bars and restaurants in Minnesota. Our industry strongly supports Article 4 of the House Taxes Omnibus Bill, which provides for the establishment of an amusement device gross receipts tax in Section 2. This provision will provide our industry with much needed local sales tax relief.

With every increase in local sales taxes certain industries are hit harder than others due to the inability to easily collect sales taxes from their customers. This is especially true with coin-operated businesses such as the arcade and video game industry here in Minnesota. These small Minnesota business owners operate all over the state working with bars and restaurants to provide amusement devices to their customers. Revenues are split between the restaurants/bars and the amusement game operators, so the local sales tax relief provided in the House Taxes Omnibus Bill will also provide benefits to local restaurants and bars. Coin-operated businesses are at a distinct disadvantage because they cannot simply pass sales taxes on to their customers.

Other states have recognized this unfairness and have considered changes specifically with regard to coin-operated devices as well as vending machine sales taxes including South Dakota, Texas and Kansas. The House provision is very narrowly tailored to only address local sales taxes imposed specifically on coin-operated amusement devices. This provision is modeled on a bill from South Dakota that created an amusement device tax.

An "amusement device" does not include vending machines, lottery devices or any type of gaming devices. In essence, the business owners would pay the exact same state sales tax rate, but they would be excluded from paying local sales taxes under this proposal. The gross receipts tax of 6.875% would be the same as the current state sales tax.

We would very much appreciate your support of the House provision providing this sales tax relief to our industry. I appreciate your willingness to consider the concerns of MOMA and others involved in our industry. If I can answer any questions, please do not hesitate to contact me.

Very truly yours,

Randy Baird
MOMA President
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