



May 1, 2024

Chair Rest and members of the Senate Tax Committee:

On behalf of the 838 members of the League of Minnesota Cities, we appreciate the opportunity to offer comments on the A2 delete everything amendment to SF 5234, the Senate omnibus tax bill.

### **Local Sales Tax General Law Changes**

The League is supportive of Article 6, which makes numerous changes related to the authorization and implementation of local sales and use taxes. The current process is opaque and changes from year to year. This kind of instability in the current process makes it unclear what proposals are likely to receive legislative approval and which ones are not. Previous attempts to simplify the process by putting parameters around the sales tax authorization law have not been successful.

Article 6 takes the work and recommendations from the Local Tax Advisory Task Force and puts much of it into bill form. The task force spent many hours with a good amount of give and take discussing these issues, so we are pleased to see their work reflected included in some form in the senate bill. The limited general authorization proposed in Article 6 is a significant undertaking, and as it moves through the process the League would like to continue to be a resource moving forward to help ensure whatever becomes law is administrable and works for cities across Minnesota.

### **Local Affordable Housing Aid-Maintenance of Effort Provisions**

The League has concerns about the approach taken in Article 2, Section 18-19, the maintenance of effort provisions for the local affordable housing aid. We understand that the intent of the Local Affordable Housing Aid legislation was to serve as additional aid to support and not supplant existing local housing efforts. However, the maintenance of effort provision in the bill currently as written must consider the variation of city budgets. More specifically, the maintenance of effort provision is written so the qualification for the receiving of aid is predicated on city housing efforts only ever increasing in the amount of resource. This may pose potential challenges in times of difficult budget decisions that may result in cuts including times of recession or reductions in other state aids.

### **LGA Penalty Forgiveness**

The League appreciates the provision in Article 2, Section 23 that will allow the city of Stewart to receive the balance of their 2023 local government aid. The League works closely with the Office of the State Auditor each fall to identify and work with cities that have not complied with the financial reporting requirement. This year 40 cities had their first half LGA payment withheld for being out of compliance but had reported by the time the second half payments were distributed.

Sincerely,

Nathan Jesson  
League of Minnesota Cities