A bill for an act

relating to taxation; sales and use; modifying the city of Two Harbors' local option sales tax authority; amending Laws 1998, chapter 389, article 8, section 45, subdivisions 1, 3, as amended, 4, 5.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Laws 1998, chapter 389, article 8, section 45, subdivision 1, is amended to read:

Subdivision 1. **Sales and use taxes.** (a) Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters of the city at the next general election held after the date of final enactment of this act, the city of Two Harbors may impose by ordinance, a sales and use tax at a rate of up to one-half of one percent for the purposes specified in subdivision 3, paragraph (a).

(b) In addition to the tax in paragraph (a) and notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any other law, ordinance, or city charter, the city of Two Harbors may, by ordinance, impose an additional sales and use tax at a rate of one-half of one percent for the purposes specified in subdivision 3, paragraph (b), if approved by the voters at a general election held before ....

(c) The provisions of Minnesota Statutes, section ~~297A.48~~ 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Sec. 2. Laws 1998, chapter 389, article 8, section 45, subdivision 3, as amended by Laws 2008, chapter 366, article 7, section 11, is amended to read:

Subd. 3. **Use of revenues.** (a) Revenues received from the taxes authorized under subdivision 1, paragraph (a), must be used for sanitary sewer separation, wastewater treatment, water system improvements, and harbor refuge development projects.

(b) Revenues from the tax authorized under subdivision 1, paragraph (b), must be used by the city of Two Harbors to pay the costs of collecting and administering the tax and to finance the capital and administrative costs of water and sewer infrastructure projects including gravity fed sewer mains, water mains, drain tile, service lines, street patching, acquiring property, related engineering, and construction expenses.

Sec. 3. Laws 1998, chapter 389, article 8, section 45, subdivision 4, is amended to read:

Subd. 4. **Bonding authority.** (a) The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects under subdivision 1, paragraph (a). An election to approve the bonds under Minnesota Statutes, section 475.58, may be held in combination with the election to authorize imposition of the tax under subdivision 1, paragraph (a). Whether to permit imposition of the tax and issuance of bonds may be posed to the voters as a single question. The question must state that the sales tax revenues are pledged to pay the bonds, but that the bonds are general obligations and will be guaranteed by the city's property taxes.

(b) If the imposition of a sales and use tax under subdivision 1, paragraph (b), is approved by the voters, the city may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the projects described in subdivision 3, paragraph (b), in an amount that does not exceed $30,000,000. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(c) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60.

~~(c)~~ (d) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

The aggregate principal amount of bonds, plus the aggregate of the taxes used directly to pay eligible capital expenditures and improvements under subdivision 3, paragraph (a), may not exceed $20,000,000, plus an amount equal to the costs related to issuance of the bonds.

~~(d)~~ (e) The taxes may be pledged to and used for the payment of the bonds and any bonds issued to refund them, only if the bonds and any refunding bonds are general obligations of the city.

Sec. 4. Laws 1998, chapter 389, article 8, section 45, subdivision 5, is amended to read:

Subd. 5. **Termination of taxes.** (a) The authority granted under subdivision 1, paragraph (a), to the city of Two Harbors to impose sales and use taxes expires when the costs of the projects described in subdivision 3, paragraph (a), have been paid.

(b) The authority granted under subdivision 1, paragraph (b) expires at the earlier of: (1) 25 years, or (2) when the city council determines that the amount of revenues received from the taxes to finance the improvements described in subdivision 3 first equals or exceeds $30,000,000, plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 4, paragraph (b), including interest on the bonds. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivision 1, paragraph (b), may expire at an earlier time if the city so determines by ordinance.

Sec. 5. **EFFECTIVE DATE.**

This act is effective the day after compliance by the governing body of the city of Two Harbors with Minnesota Statutes, section 645.021, subdivisions 2 and 3.