

Feb. 25, 2025

CITY ISSUE FACT SHEET: LOCAL SALES TAXES

Local sales taxes can be an essential tool in funding regional projects. By allowing residents to vote on whether the city should increase its local sales tax rate, these referendums maintain voter control while providing an alternative to the property tax.

Local sales taxes that have gone on the ballot have generally been successful. In 2023, 10 out of 11 projects were approved by the voters. These projects ranged from a combined community center/library project in Moorhead, trails in Hermantown, to city roads in St. Paul. In 2024, 16 out of 19 jurisdictions approved local sales tax questions on their ballots.

However, the current process for authorizing local sales taxes is opaque and unpredictable. The requirement that the legislature approve each individual request makes it unclear what proposals are likely to receive approval and which ones are not.

Task Force Recommendations

A task force of non-partisan experts, local officials, and business representatives recommended changing the current process to allow cities and counties to go straight to a voter referendum without requiring the passage of a special law by the legislature. Its recommendations covered regional projects for cities, including:

- Libraries
- Convention centers
- Airports
- Parks and trails
- Athletic complexes
- Community centers

The proposed changes would allow cities to impose a local sales tax rate up to 1% if approved by the voters. Any projects not included in general authority would still need to come to the legislature for consideration. And cities that already have an existing local sales tax would count their current rate against the 1% cap.

OUR ASKS:

- ✓ Support the task force recommendations to allow cities to go straight to residents to vote on regional projects.
- ✓ Do not extend the local sales tax moratorium that was put into place in 2023.

FOR MORE INFORMATION:

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