

Frequently Asked Questions

Local Option Sales Tax for Transportation

How Do Counties Enact the Local Option Sales Tax for Transportation?

- County boards may, after a public hearing, levy a sales tax for transportation and transit by resolution.
- This sales tax is levied on anything that is currently subject to sales tax in your county.
- The imposition of the tax is project/improvement specific and that project must be identified during the public hearing and in the resolution.
- Timing for implementation and notification to the Department of Revenue is governed by **Minnesota Statute 297A.99, Subdivision 12:**

Effective dates; notification.

- a. A political subdivision may impose a tax under this section starting only on the first day of a calendar quarter. A political subdivision may repeal a tax under this section stopping only on the last day of a calendar quarter.
- b. The political subdivision shall notify the commissioner of revenue at least 90 days before imposing, changing the rate of, or repealing a tax under this section.
- c. The political subdivision shall change the rate of tax imposed under this section starting only on the first day of a calendar quarter, and only after the commissioner has notified sellers at least 60 days prior to the change.
- d. The political subdivision shall apply the rate change for sales tax imposed under this section to purchases from printed catalogs, wherein the purchaser computed the tax based upon local tax rates published in the catalog, starting only on the first day of a calendar quarter, and only after the commissioner has notified sellers at least 120 days prior to the change.
- e. The political subdivision shall apply local jurisdiction boundary changes to taxes imposed under this section starting only on the first day of a calendar quarter, and only after the commissioner has notified sellers at least 60 days prior to the change.

How Can Counties Use the Local Option Sales Tax for Transportation Funds?

- The tax may only be used for the following purposes:
 - Payment of the capital cost of a specific transportation project or improvement;
 - Payment of the costs, which may include both capital and operating costs, of a specific transit project or improvement;
 - Payment of the capital costs of a safe routes to school program under section 174.40; or
 - Payment of transit operating costs.
- The taxes must terminate when revenues raised are sufficient to finance the project, except for taxes for operating costs of a transit project or improvement, or for transit operations.

How Will the Local Option Sales Tax for Transportation Be Collected?

- Per Minnesota Statute 297A.99, Subdivision 11, the tax must be remitted to the county by the state at least quarterly.
- The state is entitled to recover administrative costs for collection. These are taken out of the collections by the state prior to payment so there is no additional transaction between the state and the county.