

Agreement Between the Minnesota Department of Revenue and the City of St. Paul for Collection of a Local Sales and Use Tax and a Lodging Tax

Introduction

This agreement concerns administration of local taxes identified below:

- St. Paul sales tax
- St. Paul use tax
- St. Paul lodging tax

The St. Paul sales and use taxes are authorized by Laws of Minnesota 1993, Chapter 375, Article 9, Section 46. The taxes are imposed by St. Paul Resolution number CF 93-783.

The St. Paul lodging tax is authorized by Laws of Minnesota 1982, Chapter 523, Article XXV Sections 1-3, amended Laws of Minnesota, amended Laws of Minnesota 1986 Chapter 462, Section 28 and 31 and amended Laws of Minnesota 1991, Chapter 291, Article 8, Section 31. The taxes are imposed by St. Paul Ordinance number 17737, amended Ordinance number 17367 and amended Ordinance number 17850.

Administration, collection and enforcement

The Department of Revenue will administer, collect and enforce the St. Paul taxes identified in the introduction, as authorized under Minnesota Statutes, section(s) 297A.99 and any other authorizing statutes as authorized by the above referenced ordinance(s). The administration, collection and enforcement process will follow existing statutes (Minnesota Statutes, Chapters 297A, 289A, and 270C) and rules administered by the Department (including Chapter 8130) and administrative procedures used by the Department to administer, collect and enforce the Minnesota state sales and use tax.

Registration of vendors

The Department of Revenue will handle automatic registration of vendors. Accounts that are currently registered for state sales and use tax who have a zip code in the St. Paul tax jurisdiction will be registered for the St. Paul taxes. We will mail an informational notice to these businesses notifying them that they have been automatically registered for the St. Paul taxes identified in the introduction.

The Department will notify all vendors that are registered for state sales and use tax and the general public about the St. Paul taxes by posting a notice on the Department of Revenue's website (www.revenue.state.mn.us). Other notifications will be made at the time of registration, through newsletters and fact sheets.

St. Paul acknowledges that there is no cost effective way to identify specific vendors located outside the St. Paul taxing jurisdiction who are required to be registered for St. Paul tax. Identification of these vendors will be voluntary by vendor response to general notifications by the Department and through other contacts the vendor has with the Department or the Streamlined Sales Tax Governing Board's (SSTGB) central registration system.

Publicity and education

The Department of Revenue is responsible for educating vendors that are registered for state sales and use tax of their ongoing obligations to collect and remit St. Paul taxes covered by this agreement. The Department is also responsible for informing newly registered businesses of their obligations to collect and remit taxes covered by this agreement.

St. Paul and the Department may work together to develop educational or administrative methods, using resources available, to enhance compliance. For example, St. Paul may furnish an electronic file containing license information to the Department so that a match can be made to determine if all license holders are properly registered and collecting St. Paul sales and use tax.

If St. Paul maintains an official website, it will display on its main home page a link to a notice that residents and businesses in the political subdivision may owe a local use tax on purchases of goods and services made outside of the political subdivision limits. The notice will provide information, including a link to any relevant page on the Department's website (www.revenue.state.mn.us), on how the taxpayer may get information and forms necessary for calculating and paying the tax.

Additionally, if St. Paul provides and bills for sewer, water, garbage collection or other public utility services, the billing statement will include at least once per year a notice that residents and businesses may owe a local use tax on purchases made outside of the political subdivision limits and provide information on how the taxpayer may get information and forms necessary for calculating and paying the tax.

Returns and remittance

Vendors will remit St. Paul taxes covered by this agreement as part of their Minnesota sales and use tax returns, which include simplified electronic returns (SER's) authorized by the SSTGB. Taxes collected by the Department will be deposited in the State Treasury and credited to a special account. The Department will draw from this account to recover Department costs as provided in this agreement, and to transmit collections to St. Paul. St. Paul will accrue no interest on this amount.

Transmittal of tax to St. Paul

The Department will transmit the taxes reported on returns to St. Paul monthly through the automatic clearing house system. For each month of collection, two transmittals will be made. The first will be approximately five business days after month end. The final transmittal will be approximately 40 days after month end. The Department will retain, from the final monthly payment, a fee for administering, collecting and enforcing the St. Paul taxes as provided in this agreement.

Reporting

When the final monthly transmittal is made, a report will be sent to St. Paul indicating the total amount of St. Paul taxes reported, corresponding adjustments made, prior month corrections and administrative fees retained.

The Department will give St. Paul, on request, but no more than once a year, a report showing information about taxpayers located within the St. Paul taxing area and the amount of taxes remitted.

Disclosure

The Department will give St. Paul a copy of Minnesota Statutes, Chapter 270B, Tax Data, Classification and Disclosure. St. Paul understands that any individual account information given to its officials and representatives ("taxing officials") in connection with local sales and use taxes is subject to the classification and disclosure provisions of this chapter, and that pursuant to Minnesota Statutes, Section 270B.12, subdivision 2, such information can only be used to the extent necessary to administer the St. Paul sales or use tax.

If St. Paul requests a report showing individual account information about St. Paul taxes, the Department will conduct disclosure training to St. Paul.

Inspection of records and audit information

St. Paul may inspect and audit all data records relating to their local tax, the cost of collection of the taxes and the performance by the Department under this agreement.

Reimbursement of costs

The Department will review their direct and indirect costs for administering, collecting and enforcing local taxes once every five years and adjust costs as warranted. If changes are required the Department will notify St. Paul of the estimated cost for administering, collecting and enforcing the local taxes by January 1st of the year prior to the beginning of the State's fiscal year when the change will be implemented. Total local tax costs are shared by all local jurisdictions based on their share of total revenues and total tax lines reported on Minnesota sales and use tax returns. The Department weights each jurisdiction's percentage of revenue by 1/3 and their percentage of tax lines by 2/3 to compute their monthly percentage of total administrative costs. Minnesota statute does not provide a cap for direct or indirect costs for administering, collecting and enforcing local taxes. However, the Department does not anticipate retaining more than three and one-half percent (3.5%) of each month's receipts to cover the direct and indirect costs for administering, collecting and enforcing the St. Paul tax. The historical five-year average of administrative costs for St. Paul has averaged 1.28%.

Example:

Assume monthly totals for all Local Sales Taxes:

Total Tax revenues	\$20,000,000.00
Total Tax lines on returns	90,000
Total Administrative costs	\$200,000.00

If Local Tax A has revenues of \$1,600,000.00 (8% of the total) and 9,000 tax lines (10% of the total) their share of monthly expenses would be 9.34% or \$18,680.00, which represents approximately 1.17% of their monthly revenues. The following is how the 9.34% was calculated:

$$\begin{aligned}8\% \times 1/3 &= 2.67\% \\10\% \times 2/3 &= 6.67\% \\&\underline{\hspace{1.5cm}} \\&9.34\%\end{aligned}$$

Final transmission

When a tax ends, the Department may retain 20 percent of gross receipts for the final month, to be used as a fund to make adjustments or refunds. The portion of this fund that is not used for refunds or adjustments will be transmitted to St. Paul at the close of the period of limitations provided in Minnesota Statutes, section 289A.40. If the funds are not sufficient to cover refunds and adjustments, St. Paul must provide the Department with sufficient funding to process all closing adjustments.

Annual Meeting

St. Paul and the Department may meet annually, at a mutually convenient time, to review performance under this agreement and their mutual relationship in the administration of St. Paul taxes identified in the introduction.

Responsibilities

When the boundary limits for St. Paul change, it is the responsibility of St. Paul to provide the Department of Revenue with the updated nine-digit zip code information. The Department of Revenue will only update the St. Paul zip code guide upon receiving this information.

If St. Paul updates or amends the city ordinance relating to the St. Paul tax, St. Paul must provide the Department of Revenue with a signed copy of the revised or amended ordinance.

St. Paul must confirm with the Department of Revenue current contact information annually and advise when changes occur in St. Paul contact information. This includes, but is not limited to, the contact person, phone number, address and email.

Effective date

This agreement is effective the day following imposition of the tax and supersedes any previous agreement.

Modifications

This agreement may be modified if the modification is in writing, signed by the Commissioner of Revenue and an authorized representative of St. Paul.

Minnesota Department of Revenue

Signature: [Signature]

Myron Frans
Commissioner of Revenue

Date: 5/17/13

St. Paul Representative

Signature: [Signature]

Office of Financial Services

Print Name: Todd Husley

Print Title: Director of Finance

Date: May 8, 2013

Signature: N/A

Human Rights and Equal Economic Opportunity

Print Name: _____

Print Title: _____

Date: _____

Signature: [Signature]

City Attorney's Office

Print Name: Daphne A. Lundstrom

Print Title: Assistant City Attorney

Date: May 8, 2013