



## **Agreement Between the Minnesota Department of Revenue and City of Duluth for Collection of a Local Sales and Use Tax**

### **Introduction**

This agreement concerns administration of local taxes identified below:

- Duluth sales tax
- Duluth use tax

Laws of Minnesota 1980 Chapter 511, Section 1 and amended by Laws of Minnesota 2019, First Special Session, Chapter 6, Article 10, Section 7 authorize the above taxes. The taxes are imposed by Duluth City Code Section 42A, Article 1.

### **Administration, collection and enforcement**

The Department of Revenue (department) will administer, collect, and enforce the Duluth taxes identified in the introduction, as authorized under:

- Minnesota Statutes, section(s) 297A.99, and
- any other governing laws or statutes identified in the introduction

The administration, collection, and enforcement process will follow:

- Minnesota Statutes, Chapters 297A, 289A, and 270C
- Minnesota rules Chapter 8130, and
- Administrative procedures

Local tax administration also includes processing refunds, litigation, and authority to enter into settlement agreements on behalf of Duluth. If the local tax revenues collected are not sufficient to cover actions taken, Duluth must provide the department with sufficient funding to process all adjustments.

Duluth agrees to update the code listed above as needed to remain consistent with current language and definitions used in the governing Minnesota Statutes. Duluth further agrees to take corrective action within 90 days if notified by the department of required code language changes. The department will not enforce or engage in compliance activities for local taxes administered by the department if any portion of Duluth's code is not consistent with the governing Minnesota statutes. Local special taxes imposed before 2010 are not subject to this limitation.

### **Registration of vendors**

The department is responsible for notifying vendors that are registered for state sales and use tax of their obligations to collect and remit Duluth taxes covered by this agreement. The department is also responsible for informing newly registered businesses of their obligations to collect and remit Duluth sales and use taxes covered by this agreement.

Accounts registered for state sales and use tax who have a ZIP Code in the Duluth tax jurisdiction will be registered for the Duluth taxes by the department. We will mail an informational notice of registration to these businesses.

### **Outreach and education**

The department will register and notify all vendors that are currently registered for state sales and use tax and the general public about the Duluth taxes by posting a notice on the department's website ([www.revenue.state.mn.us](http://www.revenue.state.mn.us)). Other notifications will be made at the time of registration, through the department's website.

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

### **Publicity**

If Duluth maintains an official website, it will display (on its main web page) a link to a notice that residents and businesses may reference for more information about the local taxes. Duluth will briefly describe the taxes and provide a link to the department's website ([www.revenue.state.mn.us](http://www.revenue.state.mn.us)). Also state in the description that local use taxes on purchases of goods and services made outside of the political subdivision that are used in the political subdivision, are subject to local use taxes.

Local governments that bill residents and businesses for utilities must include a notice of the local taxes at least once per year. The notice must include a brief description of both the local sales and use taxes and reference the department's website link.

### **Returns and remittance**

Vendors will collect and remit Duluth 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. Revenues collected by the department are 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 Duluth. Duluth will accrue no interest on this amount.

### **Transmittal of tax**

The department will transmit the taxes reported on returns monthly through the automatic clearinghouse system.

For each month of collection related to July through December 2023, the department will continue to make two transmittals. The first will be transmitted approximately five business days after month end. The second transmittal will be sent approximately 40 days after month end. The second transmission will reflect any adjustments made for refunds issued by the department for tax reported in error. The department retains, from the second monthly payment, a fee for administering, collecting, and enforcing the Duluth taxes as provided in this agreement. The department sends notification each month to the contact person showing the breakdown of the month's collections and administrative fees deducted.

For each month of collection beginning January 1, 2024, the department will transmit taxes reported for that month in one monthly payment. The transmittal will be sent approximately 40 days after month end. The department retains a fee for administering, collecting, and enforcing the Duluth taxes as provided in this agreement. The department sends notification each month to Duluth with the month's sales and use tax collections and the administrative fees deducted. See the calendar examples below.

### **Reports**

Upon request, the department will provide Duluth with a report showing information about taxpayers and the amount of taxes remitted. This report can be requested once per year at no additional cost. Duluth must submit a written request via email or US mail. The department will consider requests for more frequent reports for an additional administrative fee.

### **Disclosure**

Duluth understands that any local sales and use tax account information given to it by the department is subject to the classification and disclosure provisions in Minnesota Statutes, chapters 13 and 270B. Pursuant to Minnesota Statutes, section 270B.12, subdivision 2, such information can only be used to the extent necessary to administer the local sales or use tax.

The department will provide disclosure training materials to Duluth's designated representative. Duluth must train any employees with a business need to access not public Minnesota sales and use tax information provided by the department. All employees who have a business reason to access not public tax information must complete the required training annually. New employees and other users who did not previously have a business reason to access not public tax information must complete the training before they may be granted access it.

Duluth must update its disclosure authorization form by December 31 of each year, providing a list of all personnel who are trained and authorized to view not public Minnesota sales and use tax information. If an authorized employee or official no longer needs access to tax information due to a change of duties, separation from employment, or any other reason, it is Duluth's obligation to instruct the department's local tax liaison to terminate access rights for that individual by the start of the next calendar quarter.

Failure to conduct the required disclosure trainings or update the user access list as described above will result in the department suspending Duluth's access to not public Minnesota sales and use tax information until such training is completed.

### **Inspection of records and audit information**

The department will allow Duluth to inspect and audit all data, records, and other information relating to its local sales or use tax, the cost of collecting the tax, and the performance by the department under this agreement. Duluth will submit any requests to inspect the sales or use tax data to the department in writing, as prescribed by the department.

### **Reimbursement of costs**

The department will review its own direct and indirect costs for administering, collecting, and enforcing local taxes as needed and adjust costs accordingly. If changes are required, the department will notify Duluth of the estimated cost for administering, collecting, and auditing the local taxes at least 180 days prior to when the change will be implemented.

For each month of collection related to July through December 2023, the following calculation of reimbursement for administrative costs will continue to apply.

All local jurisdictions share in the cost of local tax administration. The calculations are based on the share of total revenues and total tax lines reported on Minnesota sales and use tax returns for each local area. The department weights each jurisdiction's percentage of revenue by one third and their percentage of tax lines by two thirds to compute their monthly percentage of total administrative costs.

**Example:**

Assume monthly totals for all Local Sales Taxes:

Total Tax revenues	\$20,000,000.00
Total Tax lines on returns	90,000.00
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:

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

For each month of collection beginning January 1, 2024, the following calculation of reimbursement for administrative costs will apply.

Minnesota Statutes, section 297A.99, subdivision 11 states the Department shall deduct the direct and indirect costs to administer local taxes. Duluth will pay a flat rate of 1.35% of sales taxes collected to cover the administration, collection, and auditing of local sales taxes. Any changes required to balance costs and fees will be communicated according to the notification schedule noted above. Any shortfalls or reserves will be managed across years to the extent possible.

**Termination of a local tax**

The department will provide a report to Duluth after the last month that the tax is in effect. The report will indicate the total amount of Duluth taxes, corresponding adjustments made, prior month corrections, and administrative fees retained. In addition, when a tax ends, the department will work with Duluth to determine a reserve amount the department will retain which will be used as a fund to make adjustments or refunds. Please see the Responsibilities section below for more details. The portion of this fund not used for refunds or adjustments will be transmitted to Duluth at the close of the period of limitations. The account remains open for a period equal to the statute of limitations provided in Minnesota Statutes, section 289A.40, for sales and use tax returns. The account will be reconciled, and Duluth will be notified of the final settlement.

**Responsibilities**

When the boundary limits for Duluth change, it is the responsibility of Duluth to notify and provide the department with the updated boundary information. The department will only update the rate

calculator and ZIP Code guide upon receiving this information. Minnesota Statute requires that the department notify vendors of their tax obligations when boundaries change. Vendors not notified will be relieved of liability until notification occurs. The department will not engage in compliance activities for vendors in the new boundary area who have not been formally notified of the change.

If Duluth updates or amends the city code relating to the Duluth tax covered by this agreement, Duluth must provide a draft of the changes to the department for review before it is made final. The department will review the changes to ensure compliance with governing statutes. Duluth will then provide the department with a signed copy of the revised or amended code.

Duluth must provide the department with current contact information annually and advise when any changes occur. This includes, but is not limited to, the contact person, phone number, address, and email.

Duluth will notify the department prior to the 90-day notification requirement for when the tax will end. The department will work with Duluth to project an estimated amount to retain for the reserve fund. This amount retained will allow for adjustments and refunds as mentioned in the "Termination of local tax" section. In the event the Department does not retain enough revenues to cover any adjustments once the tax ends, a bill will be sent for the outstanding amount. See Minnesota Statutes, section 297A.99, subdivision 9.

#### **Effective date**

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

#### **Modifications**

Any portion of this agreement may be modified. Modifications must be in writing and signed by the Commissioner of Revenue and an authorized representative of Duluth.

#### **Minnesota Department of Revenue**

Signature: \_\_\_\_\_  
Paul Marquart  
Commissioner of Revenue

Date: \_\_\_\_\_

#### **Duluth Representative**

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Print Title: \_\_\_\_\_

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Print Title: \_\_\_\_\_

Date: \_\_\_\_\_

# 2024

## Local Government Payment Schedule

January						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

February						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29		

March						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

April						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

May						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

July						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

August						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

September						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

October						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

November						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

December						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

	Estimated Payment for December 2023
	Final Payment for December 2023
	Final Payment for November 2023
	Estimated Payment for January 2024
	Final Payment for January 2024

The payment dates are the approximate days the payments will be made. The payments will be made as close to the date listed as possible.

Business returns are due on the 20th of the month. If the 20th falls on a holiday or weekend, the returns are due the next business day.