



Agreement Between the Minnesota Department of Revenue and City of Grand Rapids for Collection of a Local Sales and Use Tax

Introduction

This agreement concerns administration of local taxes identified below:

- Grand Rapids sales tax
- Grand Rapids use tax
- Grand Rapids lodging tax

Laws of Minnesota 2021, First Special Session, Chapter 14, Article 8, Section 7 authorize the above taxes. The taxes are imposed by Grand Rapids Ordinance 22-11-02 adopted November 28, 2022.

The Grand Rapids Lodging taxes are authorized by Laws of Minnesota 2020, Chapter 469.190. The taxes are imposed by City of Grand Rapids Ordinance 62-11, amended by Ordinance No. 24-05-03 adopted May 28, 2024.

Administration, collection and enforcement

The Department of Revenue (department) will administer, collect, and enforce the Grand Rapids 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 Grand Rapids. If the local tax revenues collected are not sufficient to cover actions taken, Grand Rapids must provide the department with sufficient funding to process all adjustments.

Grand Rapids agrees to update the ordinance listed above as needed to remain consistent with current language and definitions used in the governing Minnesota Statutes. Grand Rapids further agrees to take corrective action within 90 days if notified by the department of required ordinance language changes. The department will not enforce or engage in compliance activities for local taxes administered by the department if any portion of Grand Rapids's ordinance 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 Grand Rapids taxes covered by this agreement. The department is also responsible for informing newly registered businesses of their obligations to collect and remit Grand Rapids sales and use taxes covered by this agreement.

Accounts registered for state sales and use tax who have a ZIP Code in the Grand Rapids tax jurisdiction will be registered for the Grand Rapids 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 Grand Rapids taxes by posting a notice on the department's website (www.revenue.state.mn.us). Other notifications will be made at the time of registration, through the department's website.

Grand Rapids acknowledges that there is no cost-effective way to identify specific vendors located outside the Grand Rapids taxing jurisdiction who are required to be registered for Grand Rapids 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 Grand Rapids 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. Grand Rapids will briefly describe the taxes and provide a link to the department's website (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 Grand Rapids 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 Grand Rapids. Grand Rapids 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, 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 Grand Rapids taxes as provided in this agreement. The department sends notification each month to Grand Rapids with the month's sales and use tax collections and the administrative fees deducted.

Reports

Upon request, the department will provide Grand Rapids 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. Grand Rapids 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

Grand Rapids 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 Grand Rapids's designated representative. Grand Rapids 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.

Grand Rapids 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 Grand Rapids'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 Grand Rapids'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 Grand Rapids 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. Grand Rapids 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 auditing local taxes, and as needed adjust costs accordingly.

For each month of collection, 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. Grand Rapids will pay a flat rate of up to 1.0% of sales taxes collected to cover the administration, collection, and auditing of all local sales taxes administered by the Department. If the reimbursement of costs increases, the Department will notify Grand Rapids at least 180 days prior to the rate change. An updated agreement is only required when an increase to the flat rate of 1.0% is determined. 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 Grand Rapids after the last month that the tax is in effect. The report will indicate the total amount of Grand Rapids taxes, corresponding adjustments made, prior month corrections, and administrative fees retained. In addition, when a tax ends, the department will work with Grand Rapids 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 Grand Rapids 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 Grand Rapids will be notified of the final settlement.

Responsibilities

When the boundary limits for Grand Rapids change, it is the responsibility of Grand Rapids 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 Grand Rapids updates or amends the city ordinance relating to the Grand Rapids tax covered by this agreement, Grand Rapids 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. Grand Rapids will then provide the department with a signed copy of the revised or amended ordinance.

Grand Rapids 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.

Grand Rapids will notify the department prior to the 90-day notification requirement for when the tax will end. The department will work with Grand Rapids 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 Grand Rapids.

Minnesota Department of Revenue

Signature: _____
Paul Marquart
Commissioner of Revenue

Date: _____

Grand Rapids Representative

Signature: _____

Print Name: _____

Print Title: _____

Date: _____

Signature: _____

Print Name: _____

Print Title: _____

Date: _____