



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

### **Introduction**

This agreement concerns administration of local taxes identified below:

- Virginia sales tax
- Virginia use tax

The Virginia sales and use taxes are authorized by Laws of Minnesota 2019, First Special Session Chapter 6, Article 6, Section 30. The taxes are imposed by City of Virginia Ordinance Chapter 2, Codified 2.55.

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

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

Virginia agrees to update the resolutions listed above as needed to remain consistent with current language and definitions used in the governing Minnesota Statutes. Virginia further agrees to take corrective action within 90 days if notified by the department of required resolution language changes. The department will not enforce or engage in compliance activities for local taxes administered by the department if any portion of Virginia resolution 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 Virginia taxes covered by this agreement. The department is also

responsible for informing newly registered businesses of their obligations to collect and remit Virginia sales and use taxes covered by this agreement.

Accounts registered for state sales and use tax who have a ZIP Code in the Virginia tax jurisdiction will be registered for the Virginia 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 Virginia 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.

Virginia acknowledges that there is no cost-effective way to identify specific vendors located outside the Virginia taxing jurisdiction who are required to be registered for Virginia 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 Virginia 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. Virginia 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 Virginia 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 Virginia. Virginia 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, two transmittals are made. 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 Virginia taxes as provided in this agreement. The department sends an email each month

to the contact person showing the breakdown of the month's collections and administrative fees deducted.

### **Reports**

Upon request, the department will provide Virginia 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. Virginia 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**

Virginia 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 Virginia designated representative. Virginia 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.

Virginia 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 Virginia 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 Virginia 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 Virginia 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. Virginia 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 Virginia of the estimated cost for administering, collecting, and enforcing the local taxes by January 1 of the year prior to the beginning of the State's fiscal year when the change will be implemented. 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:

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

**Termination of a local tax**

The department will provide a report to Virginia after the last month that the tax is in effect. The report will indicate the total amount of Virginia taxes, corresponding adjustments made, prior month corrections, and administrative fees retained. In addition, when a tax ends, the department retains 20 percent of gross receipts from the last month of collections, to be used as a fund to make adjustments or refunds. The portion of this fund not used for refunds or adjustments will be transmitted to Virginia 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 Virginia will be notified of the final settlement.

**Responsibilities**

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

Virginia 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.

**Effective date**

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

**Modifications**

Modifications to this agreement must be in writing and signed by the Commissioner of Revenue and an authorized representative of Virginia.

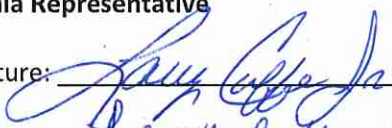
**Minnesota Department of Revenue**

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

Cynthia Bauerly  
Commissioner of Revenue

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

**Virginia Representative**

Signature: 

Print Name: Larry Cuppe Jr

Print Title: Mayor

Date: 11-28-19

Signature: 

Print Name: BRITT SEE-BENES

Print Title: City Administrator

Date: 11-28-19