

**SALES AND USE TAX  
Cloquet City Sales Tax**

January 23, 2001

Department of Revenue  
Analysis of H.F. 113 (Murphy)/S.F. 134 (Lourey)

	<b>Yes</b>	<b>No</b>
Separate Official Fiscal Note Requested		<b>X</b>
<b>Fiscal Impact</b>		
DOR Administrative Costs/Savings	<b>X</b>	

	<b>Revenue Gain or (Loss)</b>			
	<b>F.Y. 2002</b>	<b>F.Y. 2003</b>	<b>F.Y. 2004</b>	<b>FY2005</b>
	(000's)			
General Fund	\$0	\$0	\$0	\$0

Effective the day after the Cloquet city clerk files with the Secretary of State the documents required under Minnesota Statutes, section 645.021, subdivision 3, regarding local approval of special laws.

**EXPLANATION OF THE BILL**

**Current Law:** Minnesota Statutes, section 477A.016, prohibits local units of government from imposing a new or increasing a present tax on sales or income.

**Proposed Law:** The bill authorizes the city of Cloquet to impose a general sales and use tax of 0.5 percent and an excise tax of \$20 per motor vehicle sold in the city by a vendor engaged in the business of selling vehicles at retail. The sales and use tax would be state administered and subject to the provisions of Minnesota Statutes, section 297A.99. The revenue would be used to back municipal bonds sold to finance specified improvements to city facilities and infrastructure.

The city must hold a referendum before the sales and use tax can be imposed. If imposed, the taxes would expire at the earlier of 1) 20 years or 2) when sufficient revenue has been raised to finance the capital and administrative costs for the acquisition, construction, and expansion of, and improvements to, one the specified projects, plus payment of principal and interest on the bonds.

**REVENUE ANALYSIS DETAIL**

Enactment of this bill would have no impact on the general fund or any other state fund.

**ADMINISTRATIVE/OPERATIONAL IMPACT**

Any cost associated with administering a local option sales tax are deducted by the department from the revenue collected by the tax.

Source: Minnesota Department of Revenue  
Tax Research Division  
<http://www.taxes.state.mn.us/polic.html#analyses>