SALES AND USE TAX
Fairmont City Sales and Use Tax

April 2, 2001

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

Department of Revenue
Analysis of S.F. 1338 (Fowler) / H.F. 1510 (Gunther)

	Revenue Gain or (Loss)			
	F.Y. 2002	**F.Y. 2003**	**F.Y. 2004**	**FY2005**
	(000's)			
General Fund	No Impact		No Impact	

Effective the day after the Fairmont 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 Fairmont to impose a general sales and use tax of 0.5 percent if approved by city voters at the first municipal general election following enactment of the bill. The bill also authorizes Fairmont to impose by ordinance 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 city sales and use tax would be state administered and subject to the provisions of Minnesota Statutes, section 297A.99.

The city must use the revenue from the proposed taxes to pay for construction and improvement of streets, sewers, and water mains. The bill provides no sunset date.

REVENUE ANALYSIS DETAIL

The proposed legislation would have no impact on the general fund or any other state fund.

Number of Taxpayers Affected: Approximately 480 business establishments.

ADMINISTRATIVE/OPERATIONAL IMPACT

If DOR collects and remits the local sales tax imposed in this legislation, the administrative costs would be deducted from the receipts prior to remitting the revenue collected back to the city. This procedure is already in place for 10 other local city sales taxes and one county local sales tax.

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

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