

MINNESOTA • REVENUE

SALES AND USE TAX

City of Cloquet

April 11, 2003

Department of Revenue
Analysis of H.F. 925 (Hilty) / S.F. 961(Lourey)

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

Revenue Gain or (Loss)

	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>
		(000's)		
General Fund	\$0	\$0	\$0	\$0

Effective the day after the Cloquet city clerk files the required documents regarding local approval of special laws with the Secretary of State.

EXPLANATION OF THE BILL

Current Law: Local units of government are prohibited from imposing a new (or increasing an existing) tax on sales or income.

Proposed Law: The bill authorizes the city of Cloquet to impose a general sales and use tax of up to 0.5% 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. 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) 12 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 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.

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