

MINNESOTA • REVENUE

SALES AND USE TAX City of Winona

February 12, 2004

Department of Revenue
Analysis of H.F. 1888 (Pelowski) / S.F. 1731(Kierlin)

	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 city of Winona 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 tax, or increasing an existing tax, on sales or income.

Proposed Law: The bill authorizes the city of Winona to impose a general sales and use tax of 0.5% and an excise tax of \$20 per motor vehicle (on transactions by vendors selling vehicles at retail in the city). The revenues would be used for capital and administrative costs of transportation projects, including improvements, located within the city.

The proposed tax would be subject to the provisions of Minnesota Statutes for local sales taxes which include: 1) the city must hold a referendum before the sales tax can be imposed, 2) the local general sales tax would be state administered, and 3) the local tax is required to be similar to the 6.5% statewide tax.

The tax would expire at the earlier of: 1) 10 years, or 2) when sufficient revenue has been received to finance the transportation projects or improvements to which the tax will be dedicated. The tax can expire earlier by ordinance. Excess funds may be placed in a city capital project fund.

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/taxes/legal_policy