

# MINNESOTA • REVENUE

## SALES TAX Hermantown Sales Tax Increase

April 11, 2003

Department of Revenue  
Analysis of S.F. 1360 (Bakk) / H.F. 1424 (Murphy)

	Yes	No
Separate Official Fiscal Note Requested		
<b>Fiscal Impact</b>		
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 clerk of Hermantown files the required documents regarding local approval of special laws.

### 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. Laws 1996, Chapter 471, Article 2, Section 29, authorized the city of Hermantown to impose a sales tax of up to 1% to fund specified city projects. The city began imposing the tax at a 0.5% on April 1, 1997. Effective January 1, 2000, the city began imposing a 0.5% compensating use tax in accordance with M.S. §297A.99 (local sales tax rules).

**Proposed Law:** The bill amends the 1996 special law to provide that if Hermantown increases the sales and use tax up to the authorized rate of 1%, the increase is subject to voter approval. The bill specifies that the provisions of the original 1996 law apply to the existing tax of 0.5%.

New provisions would apply to the additional 0.5% tax. The proceeds would be used for several specified projects. The city would be authorized to issue general obligation bonds of up to \$12.9 million to finance the projects, and the bonds would not be subject to city debt limits. The tax expires when revenues raised are sufficient to finance the specified projects, up to \$12.9 million plus costs associated with the bonds. The city has the authority to terminate the tax earlier.

### 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>