

# MINNESOTA • REVENUE

## SALES AND USE TAX City of Waseca

March 25, 2004

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

Department of Revenue  
Analysis of S.F. 2875 (Day) / H.F. 3029 (Ruth)

	<u>Revenue Gain or (Loss)</u>			
	<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 Waseca city clerk files with the Secretary of State the certificate required under M.S. 645.021, subd. 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 tax on sales or income.

**Proposed Law:** The bill authorizes the city of Waseca to impose by ordinance a general sales and use tax at a 0.5% rate. The tax would be imposed on the state sales tax base and be state administered. The proceeds must be used for one or more of the following projects: water quality and lake improvements; community center improvements; an industrial incubator; and downtown improvements. If the city council decides to impose the tax, then it must hold a referendum. The projects to be funded must be identified at least 90 days before the referendum. The question must state that the revenue will be pledged to pay general obligation municipal of up to \$1.82 million. The city sales tax terminates after 10 years or when the city council determines that the revenue raised is enough to repay or retire the bonds, whichever occurs first.

### REVENUE ANALYSIS DETAIL

- Enactment of this bill will not affect any state fund.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)