

MINNESOTA • REVENUE

SALES AND USE TAX City of Cloquet

April 1, 2005

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

Department of Revenue
Analysis of H.F. 700 (Hilty) / S.F. 824 (Lourey)

	<u>Fund Impact</u>			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
	(000's)			
General Fund	\$0	\$0	\$0	\$0

Effective the day after the Cloquet city clerk files with the Secretary of State the required documents for 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 or increasing an existing tax on sales or income.

Proposed Law: The bill authorizes the city of Cloquet to impose by ordinance a sales and use tax of up to 0.5% if approved by the voters at a general election or a special election. The city may also impose by ordinance a tax of \$20 per motor vehicle sold by a retail dealer in the city. Revenues from the taxes must be used for park improvement projects, as specified, extension of water and sewer lines and other infrastructure improvements necessary for construction of a city industrial park, and closure of the Cloquet Municipal Landfill. The city may issue bonds of up to \$7 million to fund the projects.

The taxes expire at the earlier of 14 years or when the city council determines that enough tax revenue has been received to finance the projects and to pay the cost of issuing the bonds as well as interest on the bonds. The taxes may expire earlier if the council so determines by ordinance. Any remaining revenue may be placed in the city's general fund.

REVENUE ANALYSIS DETAIL

The bill has no impact on state funds.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy