

MINNESOTA • REVENUE

SALES AND USE TAX Hermantown Additional Sales Tax

April 1, 2005

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

Department of Revenue
Analysis of S.F. 160 (Bakk) / H.F. 84 (Murphy)

Fund Impact

	<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 Hermantown city clerk files with the Secretary of State the documents required 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. Under a 1996 special law, the city of Hermantown has imposed a 0.5% general sales tax since April 1, 1997. Under state statute, a complementary use tax was imposed on January 1, 2000.

Proposed Law: The bill amends the 1996 special law authorizing the Hermantown tax to allow the city to impose an additional sales and use tax of 0.5%. The city council must hold a referendum before the tax can be raised to the full 1% rate. Revenues from the new tax would be used for construction of a city hall, construction or purchase of a public works facility, construction and improvements to specified roads within the city, and extension of a regional trunk sewer. The city may issue general obligation bonds of up to \$13 million for the projects.

The additional tax expires when enough revenue has been raised to pay for the specified projects, up to \$13 million plus interest and other costs associated with the bonds. The city council may terminate the tax earlier. 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