



# Local Option Sales Tax – Brooklyn Center

March 1, 2022

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# Follow-Up Questions from 9-27-2021

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- How will a sales tax affect how much Brooklyn Center residents pay annually?
- Why care about tax capacity?
- How will a sales tax impact local retailers – are they at a competitive disadvantage?
- What projects have other cities funded with the sales tax?
- When should community engagement occur?

# Sales Tax Impact

Tax Collection Year	Taxable Retail Sales <sup>1</sup>	(less) Motor Vehicle Sales <sup>1</sup>	Net Taxable Retail Sales	Annual Sales Tax Revenue		
				0.25%	0.50%	1.00%
2016	\$529,015,259	(\$32,957,619)	\$496,057,640	\$1,240,144	\$2,480,288	\$4,960,576
2017	\$534,014,370	(\$34,669,949)	\$499,344,421	\$1,248,361	\$2,496,722	\$4,993,444
2018	\$538,805,339	(\$36,949,720)	\$501,855,619	\$1,254,639	\$2,509,278	\$5,018,556
2019	\$548,253,921	(\$43,062,535)	\$505,191,386	\$1,262,978	\$2,525,957	\$5,051,914
2020	\$553,736,460	(\$43,493,160)	\$510,243,300	\$1,275,608	\$2,551,216	\$5,102,433
2021	\$559,273,825	(\$43,928,092)	\$515,345,733	\$1,288,364	\$2,576,729	\$5,153,457

<b>Debt Potential<sup>2</sup></b>	<b>\$21,000,000</b>	<b>\$42,000,000</b>	<b>\$84,000,000</b>
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<sup>1</sup> Source: Minnesota Department of Revenue

<sup>2</sup> Assumes 2% interest for 20 years

Shaded area indicates projections assuming 1% inflation from 2019

# Sales Tax Impact

2023 Income Decile <sup>1</sup>	State of Minnesota			Brooklyn Center	Annual Sales Tax Impact		
	Households <sup>1</sup>	Individual sales tax <sup>1</sup>	MN Household Avg. Sales Tax <sup>1</sup>	Taxable Purchases per household <sup>2</sup>	0.25%	0.50%	1.00%
\$46,141 & Under	1,146,606	\$716,475,000	\$625	\$6,228	\$16	\$31	\$62
<b>\$46,142 - \$71,065</b>	<b>496,818</b>	<b>\$462,995,000</b>	<b>\$932</b>	<b>\$9,288</b>	<b>\$23</b>	<b>\$46</b>	<b>\$93</b>
\$71,066 - \$96,948	345,259	\$428,869,000	\$1,242	\$12,380	\$31	\$62	\$124
\$96,949 - \$123,344	261,738	\$408,330,000	\$1,560	\$15,549	\$39	\$78	\$155
\$123,345 - 154,705	208,560	\$381,351,000	\$1,828	\$18,224	\$46	\$91	\$182
\$154,706 - \$198,962	164,830	\$355,235,000	\$2,155	\$21,480	\$54	\$107	\$215
\$198,963 - \$276,331	123,739	\$322,354,000	\$2,605	\$25,965	\$65	\$130	\$260
\$276,332 - \$417,188	82,452	\$283,224,000	\$3,435	\$34,236	\$86	\$171	\$342
\$471,189 - \$1,188,381	41,719	\$230,612,000	\$5,528	\$55,094	\$138	\$275	\$551
\$1,188,382 and over	9,173	\$170,626,000	\$18,601	\$185,391	\$463	\$927	\$1,854
	<b>2,880,894</b>	<b>3,760,071,000</b>					

<sup>1</sup>Source: Minnesota Department of Revenue 2021 Tax incidence Study - 2023 Income Deciles - Effective Tax Rates table 4-3

<sup>2</sup>Assumes Owatonna Study Methodology - 75% of taxable purchases by Brooklyn Center residents are within the City (7.525% sales tax rate)

Median Household Income for Brooklyn Center: \$59,550 - American Community Survey 2019 Estimate

# Property Tax Impact – if no Sales Tax

Type of Property	Estimated Market Value	Market Value Exclusion	Taxable Market Value	Annual Property Tax Increase		
				\$21 Million Bond (0.25% equiv.)	\$42 Million Bond (0.5% equiv.)	\$84 Million Bond (\$1.0% equiv.)
Residential Homestead	125,000	25,990	99,010	64.39	128.77	257.54
	150,000	23,740	126,260	82.11	164.21	328.42
	175,000	21,490	153,510	99.83	199.65	399.30
	200,000	19,240	180,760	117.55	235.09	470.18
	<b>223,000</b>	<b>17,170</b>	<b>205,830</b>	<b>133.85</b>	<b>267.70</b>	<b>535.40</b>
	250,000	14,740	235,260	152.99	305.97	611.95
	300,000	10,240	289,760	188.43	376.85	753.71
Commercial/Industrial	300,000	-	300,000	208.94	417.86	835.72
Commercial/Industrial	400,000	-	400,000	288.53	577.04	1,154.09
	500,000	-	500,000	368.12	736.23	1,472.46
	1,000,000	-	1,000,000	766.10	1,532.15	3,064.31
Apartments (4 or more units)	\$ 200,000	\$ -	\$ 200,000	\$ 162.58	\$ 325.14	\$ 650.29
	300,000	-	300,000	243.86	487.72	975.43
	500,000	-	500,000	406.44	812.86	1,625.72

# Impact on Local Residents?

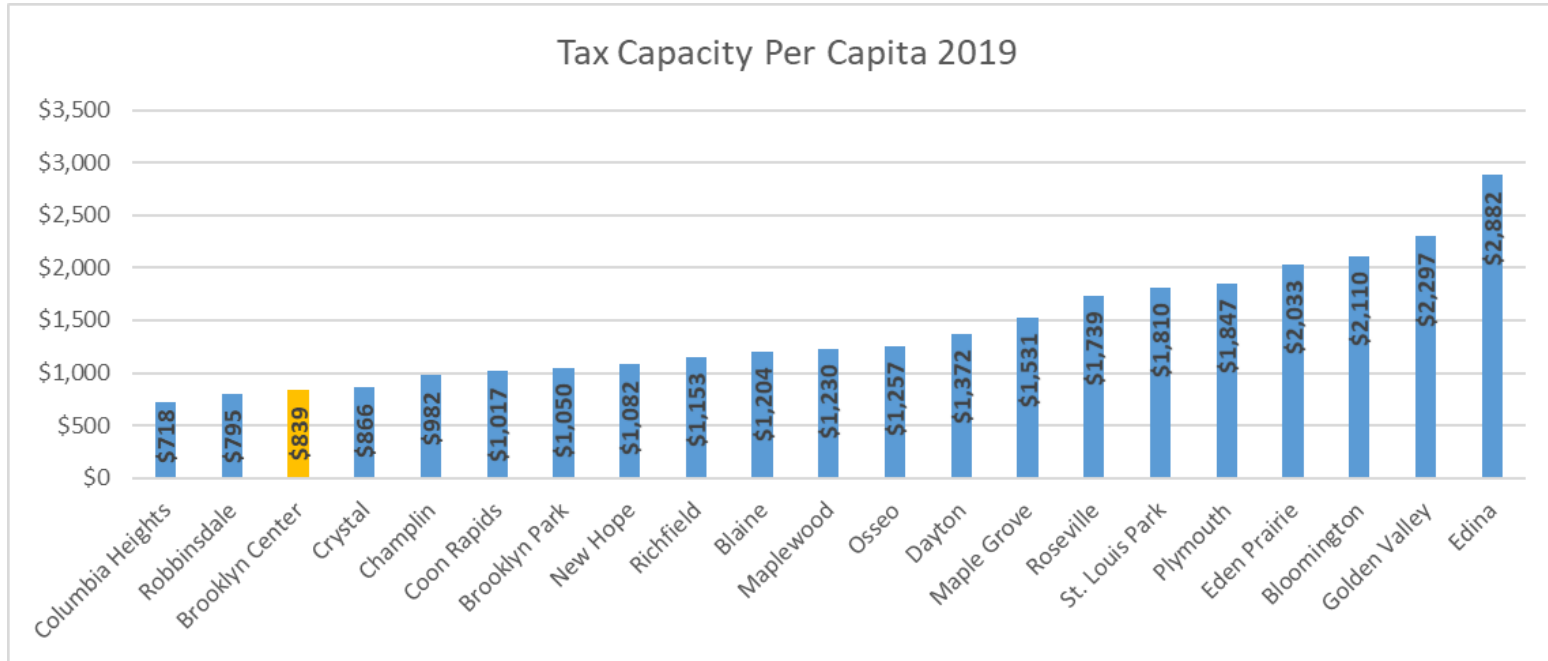
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- Local Option Sales Tax disperses cost of project more broadly, lessening impact of Brooklyn Center residents
- Brooklyn Center residents would pay on average an additional \$31-\$46 per year in sales tax to fund community center project with the local options sales tax

## Versus

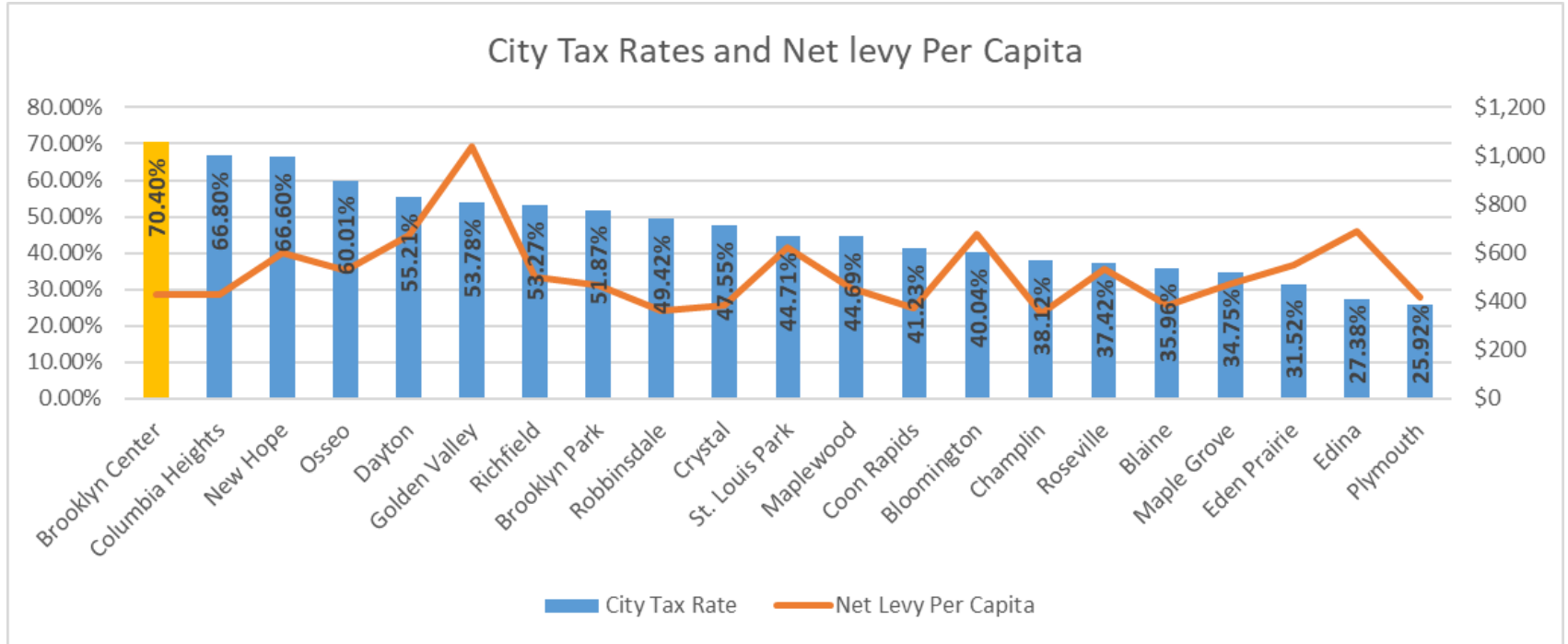
- Brooklyn Center residents would pay on average an additional \$267.70 per year without a local option sales tax if the project was funded with municipal bonding and paid for through property tax revenue.

# Why Care About Tax Capacity?



Sources: league of Minnesota Cities Property Tax Report, 2019; U.S. Census Bureau, Population Division : Annual Estimates of the Resident Population: April 1, 2010 to July 1, 2018

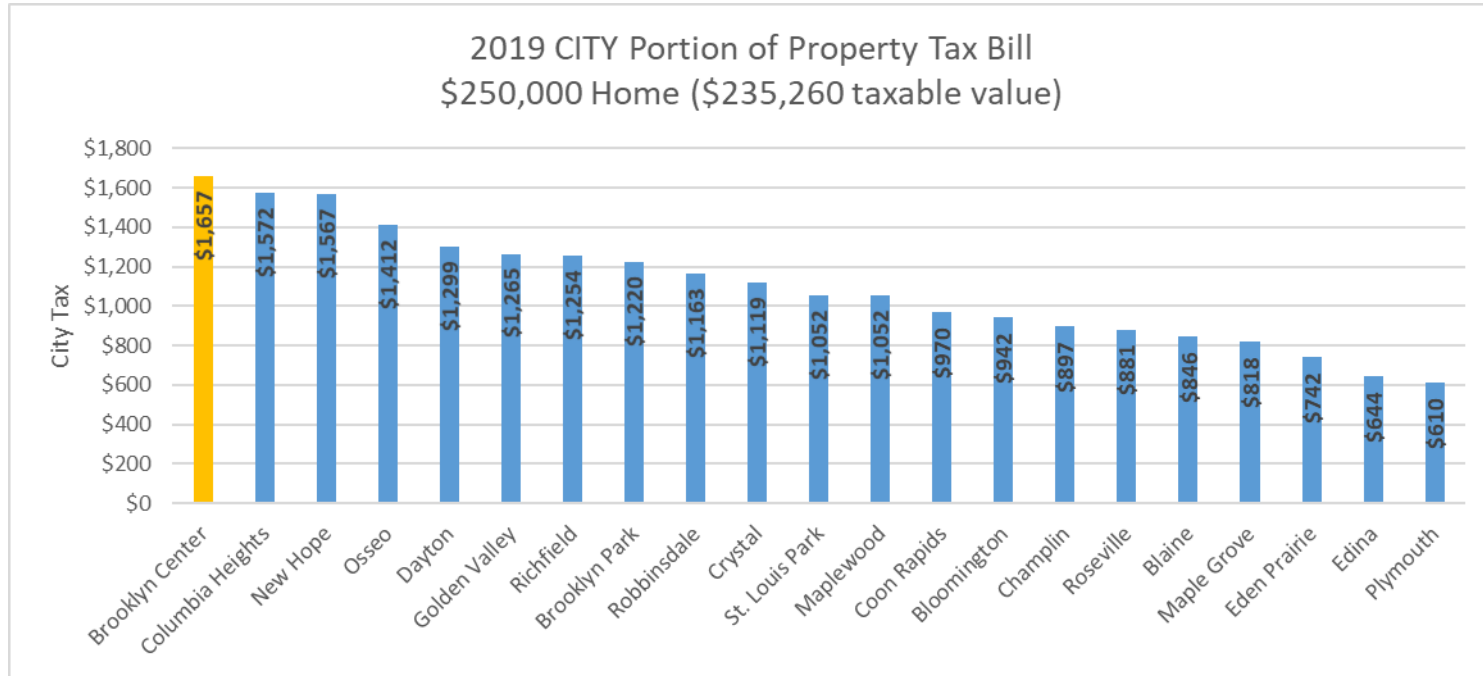
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# Why Care About Tax Capacity?



# Impact on Local Retailers?

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- 2017 U of M Extension Office Study
- Analysis of 11 communities with sales tax in effect for at least 8 years
- In almost all cases taxable sales continued to grow without any evidence of decline because of the local tax

# Other Cities' Sales Tax projects

City	Use	Sales Tax %	Bonding Authority
Cloquet	Repairs/expansion of ice arena and Pine Valley Park Ski Jump	0.50%	\$ 81,520,000
Edina	Fred Richards Park, Baremar Park & Weber Park Improvements	0.50%	\$ 39,300,000
Fergus Falls	Aquatic Center, streets/infrastructure, parks and trails	0.50%	\$ 13,000,000
Grand Rapids	Reconstruction, remodeling & upgrades for IRA Civic Center	0.50%	\$ 5,980,000
Hermantown	Hockey arena, trails & athletic facilities	0.50%	\$ 28,000,000
Itasca County	New construction or upgrades to correctional facilities, court facilities & county offices	1.00%	\$ 75,000,000
Litchfield	Construction of community wellness/recreation center	0.50%	\$ 10,000,000
Little Falls	Construction of a community recreatio center	0.50%	\$ 17,000,000
Maple Grove	Expansion & renovation of Community Center	0.50%	\$ 90,000,000
Mill Lacs County	Public works facility	0.50%	\$ 10,000,000
Moorhead	Construction & improvements to aquatic center, city hall, library & regional trails	0.50%	\$ 31,590,000
Oakdale	Construction of new public works facility and expansion of police department facility	0.50%	\$ 37,000,000
St. Peter	Construction of new fire station	0.50%	\$ 9,121,000
St. Cloud	4 regional roadway projects & municipal athletic complex	0.50%	\$ 21,100,000
Staples	Renovations/improvements to community center	0.50%	\$ 1,600,000
Wadena	Renovations to city library	0.25%	\$ 3,000,000
Waite Park	Regional transportation corridors, trail connections, pubic safety facility	0.50%	\$ 27,500,000
Warren	Construction of new child care facility	0.50%	\$ 1,600,000

# When Should Community Engagement Occur?

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- Engagement efforts to date are directing pursuit of the projects under consideration
- Additional engagement should occur, but makes sense to wait until after legislative approval, if granted
- Ultimately, there will be a vote allowing for a significant number of residents to participate directly in the decision about enactment of the sales tax
- Additional engagement should occur if legislative approval is granted, but before the questions go on the ballot