

# HOUSE RESEARCH

## Bill Summary

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**Version:** As introduced

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**Authors:** Murphy

**Subject:** Hermantown local sales tax modification

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### Overview

Modifies the existing law authorizing a local sales tax for the city of Hermantown. It make provision for another election to impose the additional authorized ½ percent that was not imposed under the initial referendum; expands the projects that the sales tax revenues may fund; allows the city to issue bonds for the additional authorized projects; and delays the termination date for the additional ½ percent tax until the revenues are sufficient to fund the additional projects.

### Section

1 **City of Hermantown; sales and use tax.** Modifies the existing language authorizing the city to impose a local sales tax. The change to a sales and use tax reflects the current statutory requirement that all local sales taxes have a compensating use tax.

**Subd. 1. Sales and use tax authorized.** Dedicates the revenues from the existing ½ percent local sales tax to the currently authorized projects. Lists projects that may be funded from revenue of an additional ½ percent, if it is imposed. Projects include:

- construction of a community and recreation center;
- renovation or expansion of the school's existing ice facility;
- construction of a new city hall and a new public works garage;
- construction of needed traffic improvements along Highway 53; and
- construction of bleachers and various outdoor athletic facilities at the school.

**Subd. 2. Referendum.** Allows the city to hold an additional referendum to increase their local tax rate from the existing ½ percent to one percent. The law originally allowed a tax rate of up to one percent, however the city only asked for ½ percent at the initial authorizing referendum. Although the bill allows the referendum to be held at either a general or special election, statutory law which supercedes requires that it be held at a general election.

**Subd. 3a. Bonding authority.** Allows the city to issue bonds of up to \$12.9 million in

aggregate to fund the new projects listed in subdivision 1. The bonds would be outside of the debt limitation of the city and would not require a referendum for approval.

**Subd. 4. Termination.** States that the additional  $\frac{1}{2}$  percent would terminate when revenues are raised which are sufficient to pay the bonds under subdivision 3a and all related interest and premiums.