

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 84

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Authors: Murphy

Subject: Expanding the use and increasing the rate of the Hermantown sales tax

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[For a comparison of all local sales tax bills introduced during the 2005 legislative session, go to www.house.leg.state.mn.us/hrd/issinfo/comp05localsal.htm .]

Overview

In 1996, the city of Hermantown was granted the authority to impose a local sales tax of up to one percent to fund specified capital projects. The city only imposed the tax at a rate of one-half of one percent. This bill would allow the city to impose the other one-half of one percent if approved by the voters. The revenues from the increase would be used to fund additional capital projects listed in the bill.

Section

1 **City of Hermantown; sales and use tax.** Modifies the 1996 special law that originally granted the city the authority to impose a local sales tax. Amends the law to include a technical update that references the complementing use tax that was imposed on all local sales taxes under the general local sales tax statute enacted in 1997.

Subd. 1. Sales and use tax authorized. Indicates that the first one-half of the one percent sales tax authorized under the law will continue to fund the original authorized projects. Revenues from the remaining one-half of the one percent will fund capital and administrative costs of the following:

Section

- ▶ a city hall to be connected to the existing public safety facility;
- ▶ construction or purchase of a facility to use for public works;
- ▶ construction and upgrades of primary collector roads, and commercial frontage roads in the city; and
- ▶ extension of a regional trunk sewer.

Subd. 2. Referendum. Allows the city to go back to the voters at either a general or special election to impose the second one-half of the one percent tax not imposed at the original referendum.

Subd. 3a. Bonding authority. Allows the city to issue up to \$13 million in bonds for the new projects. The bonds would be outside of regular debt limits and any property tax levy needed to repay the bonds would not be subject to levy limits.

Subd. 4. Termination. Leaves the termination date for the existing one-half of one percent local sales tax unchanged. The additional one-half of one percent tax would expire when the revenues generated are sufficient to pay \$13 million plus costs of the bonds issued for the new projects.