

HOUSE RESEARCH

Bill Summary

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Authors: Hilty

Subject: Allowing the city of Cloquet to impose a local 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/comp05local.htm .]

Section

1 City of Cloquet; taxes authorized. Allows the city to impose a sales and use tax of one half of one percent and an excise tax of \$20 on motor vehicle sales to fund certain capital projects.

Subd. 1. Sales and use tax authorized. Allows the city to impose a sales and use tax of one-half of one percent if approved by the voters at the next general election or at a special election. The statutory local sales tax provisions regarding imposition, administration, collection and enforcement of the tax would apply.

Subd. 2. Excise tax authorized. Allows the city to impose an excise tax of \$20 per motor vehicle on all sales by motor vehicle dealers located in the city.

Subd. 3. Use of revenues. Revenues from the local sales tax would be used to fund the following capital projects:

- ▶ construction and completion of certain park improvement projects;
- ▶ extension of water and sewer lines and other infrastructure improvements needed to build a city industrial park; and

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- ▶ closure of the Cloquet Municipal landfill.

Subd. 4. Bonds. Allows the city to issue bonds of up to \$7 million to fund the authorized projects without a separate referendum. 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. 5. Termination of the tax. The local taxes would expire at the earlier of (1) 14 years after the tax is first imposed or (2) when revenues are sufficient to fund the projects plus any associated costs of the bonds. The city may choose to terminate the tax at an earlier date.