

HOUSE RESEARCH

Bill Summary

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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.