

Senator Day introduced—

S.F. No. 2536: Referred to the Committee on Taxes.

1.1 A bill for an act  
1.2 relating to the city of Owatonna; allowing the city to impose a local sales and  
1.3 use tax.

1.4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.5 Section 1. **CITY OF OWATONNA; TAXES AUTHORIZED.**

1.6 **Subdivision 1. Sales and use tax authorized. Notwithstanding Minnesota Statutes,**  
1.7 **section 477A.016, or any other provision of law, ordinance, or city charter, if approved**  
1.8 **by the voters pursuant to Minnesota Statutes, section 297A.99, the city of Owatonna**  
1.9 **may impose by ordinance a sales and use tax of one-half of one percent for the purposes**  
1.10 **specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.99, govern**  
1.11 **the imposition, administration, collection, and enforcement of the taxes authorized under**  
1.12 **this subdivision.**

1.13 **Subd. 2. Excise tax authorized. Notwithstanding Minnesota Statutes, section**  
1.14 **477A.016, or any other provision of law, ordinance, or city charter, the city of Owatonna**  
1.15 **may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of**  
1.16 **\$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person**  
1.17 **engaged within the city in the business of selling motor vehicles at retail.**

1.18 **Subd. 3. Use of revenues. Revenues received from the taxes authorized by**  
1.19 **subdivisions 1 and 2 must be used to pay all or part of the capital costs of transportation**  
1.20 **projects included in the 2004 U.S. Highway 14-Owatonna Beltline Study by the Minnesota**  
1.21 **Department of Transportation, Steele County, and the city of Owatonna; regional parks**  
1.22 **and trail developments, West Hills complex, firehall, and library improvement projects;**  
1.23 **and a public safety radio system; as described in the city resolution No. 4-06, Exhibit**  
1.24 **A, as adopted by the city on January 17, 2006. The amount paid from these revenues**

2.1 for transportation projects may not exceed \$4,450,000 plus associated bond costs. The  
2.2 amount paid from these revenues for park and trail projects may not exceed \$5,400,000  
2.3 plus associated bond costs. The amount paid from these revenues for West Hills complex,  
2.4 fire hall, and library improvement projects may not exceed \$2,823,000 plus associated  
2.5 bond costs. The amount paid from these revenues for a public safety radio system may not  
2.6 exceed \$500,000 plus associated bond costs.

2.7 Subd. 4. Bonds. (a) The city of Owatonna, if approved by voters pursuant to  
2.8 Minnesota Statutes, section 297A.99, may issue bonds under Minnesota Statutes, chapter  
2.9 475, to pay capital and administrative expenses for the projects described in subdivision 3,  
2.10 in an amount that does not exceed \$13,200,000. A separate election to approve the bonds  
2.11 under Minnesota Statutes, section 475.58, is not required.

2.12 (b) The debt represented by the bonds is not included in computing any debt  
2.13 limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section  
2.14 475.61, to pay principal and interest on the bonds, is not subject to any levy limitation.

2.15 Subd. 5. Termination of taxes. The taxes imposed under subdivisions 1 and 2  
2.16 expire at the earlier of (1) ten years, or (2) when the city council determines that the  
2.17 amount of revenues received from the taxes to pay for the projects under subdivision 3 first  
2.18 equals or exceeds the amount authorized to be spent for each project plus the additional  
2.19 amount needed to pay the costs related to issuance of the bonds under subdivision 4,  
2.20 including interest on the bonds. Any funds remaining after completion of the projects  
2.21 and retirement or redemption of the bonds shall be placed in a capital project fund of  
2.22 the city. The taxes imposed under sections 1 and 2 may expire at an earlier time if the  
2.23 city so determines by ordinance.

2.24 EFFECTIVE DATE. This section is effective the day after compliance by the  
2.25 governing body of the city of Owatonna with Minnesota Statutes, section 645.021,  
2.26 subdivision 3.

**Senate Counsel, Research,  
and Fiscal Analysis**

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DIRECTOR

# Senate

State of Minnesota

## **S.F. No. 2536 - Local Sales and Use Tax for the City of Owatonna**

**Author:** Senator Dick Day

**Prepared by:** Michelle Allen, Senate Counsel (651/296-0558)

**Date:** March 20, 2006

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This bill authorizes the city of Owatonna to impose a sales and use tax of up to one-half of one percent to pay for transportation projects, regional parks and trail developments, firehall, and library improvement projects. The sales tax is subject to approval by the voters at the next general election. The city is also authorized to impose an excise tax up to \$20 per motor vehicle purchased from a person engaged in the business of selling motor vehicles at retail within the city. If the voters approve the imposition of the tax, then the city is authorized to issue up to \$13,200,000 in bonds without a separate election. The debt is not included in the municipal debt limitation and any levy of taxes to pay the debt service is not subject to any levy limitation. The tax will expire at the earlier of ten years or when the city council determines that sufficient funds have been received to pay for the projects and the costs related to the issuance of the bonds.

MJA:dv

# MINNESOTA · REVENUE

## LOCAL SALES AND USE TAX

### Owatonna

March 20, 2006

Department of Revenue  
Analysis of H.F. 2845 (Ruth) / S.F. 2536 (Day)

	Yes	No
DOR Administrative Costs/Savings		X

The proposal authorizes the city of Owatonna to impose a general sales and use tax of 0.5% and an excise tax of \$20 per motor vehicle sold by dealers in the city.

The bill would have no impact on any state fund. Revenue from the proposed tax would go to the city of Owatonna for the purposes specified in the bill.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)

hf2845(sf2536)\_1 / tfe



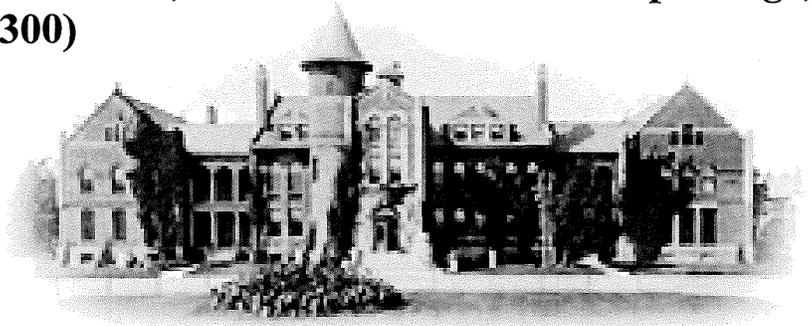
## Support an Owatonna Local Option Sales Tax

*Let the Owatonna City Government and Citizens Decide!*

**Support HF2845-Ruth, R-Owatonna and SF2536-Day, R-Owatonna to authorize the City of Owatonna to impose a .5% sales tax. The Local Option Sales Tax will produce 1.5 million in revenue/year. The total amount needed will be 13.2 million raised in 9 years.**

**The Local Option Sales Tax will fund the following projects of regional significance:**

- **Owatonna Beltline Project (\$4,450,000)**
- **Development of Straight River Regional Parks and Trails (\$5,402,260)**
- **Public Safety 800 MHz Communication System (\$500,000)**
- **Capital improvements to the West Hills complex, including buildings containing the Owatonna Arts Center, historic Public School Orphanage, library and fire hall (\$2,828,300)**



West Hills Complex, Owatonna

### **The Sales Tax Will Have a Positive Regional Effect**

- **Orphanage attracts people from all over the country. It is also home to Owatonna City Government and the Owatonna Arts Center.**
- **North Straight River Park is a regional park. Improvements to the park will increase regional use.**
- **The Owatonna Beltline project is recommended by MnDOT and will positively affect both local and regional drivers.** *(study completed 2004 for MnDOT, City & County)*

*Prepared by Flaherty & Hood  
3/03/06*

RESOLUTION NO. 4-06

A RESOLUTION IN SUPPORT OF A HALF CENT SALES TAX TO FUND  
CITY PROJECTS

WHEREAS, the City of Owatonna has proposed projects including a regional park and trail development, transportation improvements, major infrastructure improvements to the West Hills Complex, and which cannot be adequately funded with existing resources; and

WHEREAS, the City of Owatonna desires to submit a proposal to the Minnesota Legislature to allow the City of Owatonna to propose a one-half of one percent sales tax and an excise tax of \$20.00 per motor vehicle purchased at retail. The proceeds of the sales and excise taxes would be used to pay for the projects listed on Exhibit A attached hereto; and

WHEREAS, Minnesota Statutes Section 297A.99 provides, in part, that a political subdivision may impose a local sales tax if permitted by special law and if approved by the voters of said political subdivision, and that before a governing body requests legislative approval of a special law for local sales tax, it shall adopt a resolution indicating approval of the tax and indicating, at a minimum, the proposed tax rate, how the revenues will be used, the total revenue that will be raised before the tax expires, and the estimated length of time the tax will be in effect; and

WHEREAS, the Minnesota Legislature may also consider general legislation authorizing cities to impose a local option sales tax and prescribe limitations on that authority,

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Owatonna as follows:

1. The City Council hereby approves a local sales tax in the amount of one-half of one percent and an excise tax in the amount of \$20.00 per vehicle purchased at retail if approved by the voters of said political subdivision.
2. The tax revenues will be used to pay the costs of transportation projects, regional park and trail developments, West Hills and library improvement projects as identified on the attached Exhibit A.
3. The total revenue that will be raised before the sales tax expires is estimated to be in the range of \$13,180,560 (approximately) for the length of time the sales tax will be in effect. The sales tax will be in effect until the cost of the projects identified on Exhibit A are paid or nine years after imposition of the tax, whichever is earlier.

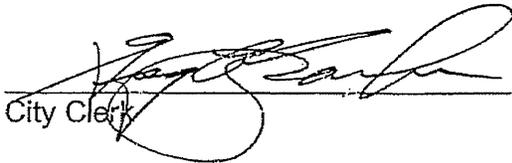
4. The City Council supports general legislation authorizing cities to impose a local sales tax provided the terms would allow the same projects and terms authorized by this resolution.

Passed and adopted this 17th day of January, 2006, with the following vote: Aye 6; No 0; Absent 1.

Approved and signed this 17th day of January, 2006.

  
Mayor

ATTEST:

  
City Clerk

Senator Vickerman introduced--

S.F. No. 2590: Referred to the Committee on Taxes.

A bill for an act relating to taxation; authorizing the city of Luverne to impose sales and motor vehicle excise taxes for certain purposes.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. CITY OF LUVERNE; TAXES AUTHORIZED.

Subdivision 1. Sales and use tax authorized. Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters pursuant to Minnesota Statutes, section 297A.99, the city of Luverne may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. Excise tax authorized. Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Luverne may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. Use of revenues. Revenues received from the taxes authorized by subdivisions 1 and 2 must be used to pay the cost of collecting and administering the taxes and to pay all or part of the expenses for the following projects:

(1) capital improvements and renovation of the Historic Palace Theatre in an amount not to exceed \$3,000,000; and

(2) capital improvements and renovation of a vacated community hospital for the Minnesota West Community and Technical College, not to exceed \$3,000,000.

2.1 Authorized expenses include, but are not limited to, acquiring property and paying  
 2.2 construction expenses related to the projects, and paying debt service on bonds or other  
 2.3 obligations issued to finance the acquisition and improvements.

2.4 Subd. 4. Bonds. If the taxes under subdivisions 1 and 2 are approved by voters  
 2.5 pursuant to Minnesota Statutes, section 297A.99, the city of Luverne may issue, without  
 2.6 an additional election, bonds, in one or more series, in the aggregate principal amount  
 2.7 not to exceed \$3,000,000 to pay capital and administrative costs of the projects listed in  
 2.8 subdivision 3. The debt represented by the bonds is not included in computing any debt  
 2.9 limitations applicable to the city, and the levy of taxes required by Minnesota Statutes,  
 2.10 section 475.61, to pay the principal of and interest on the bonds is not subject to any levy  
 2.11 limitation or included in computing or applying any levy limitation applicable to the city.

2.12 Subd. 5. Termination of taxes. The taxes imposed under subdivisions 1 and 2  
 2.13 expire at the later of 30 years after the imposition of the tax or when the Luverne city  
 2.14 council determines that sufficient funds have been received from the taxes to prepay  
 2.15 or retire at maturity the principal, interest, and premium due on any bonds issued for  
 2.16 the projects under subdivision 4. Any funds remaining after expiration of the taxes and  
 2.17 retirement of the bonds may be placed in a capital project fund of the city. The taxes  
 2.18 imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines  
 2.19 by ordinance.

2.20 EFFECTIVE DATE. This section is effective the day after compliance by the  
 2.21 governing body of the city of Luverne with Minnesota Statutes, section 645.021,  
 2.22 subdivision 3.

*adopted*

1.1 Senator ..... moves to amend S.F. No. 2590 as follows:

1.2 Page 1, after line 4, insert:

1.3 "Section 1. Laws 2005, First Special Session chapter 3, article 5, section 44,  
1.4 subdivision 1, is amended to read:

1.5 Subdivision 1. [SALES AND USE TAX.] Notwithstanding Minnesota Statutes,  
1.6 section 477A.016, or any other provision of law, ordinance, or city charter, if approved by  
1.7 the voters pursuant to Minnesota Statutes, section 297A.99, at <sup>a</sup>the next general election  
1.8 ~~held before January 1, 2008,~~ <sup>delete the next 1</sup> the city of Worthington may impose by ordinance a sales  
1.9 and use tax of up to one-half of one percent for the purpose specified in subdivision 3.  
1.10 Except as otherwise provided in this section, the provisions of Minnesota Statutes, section  
1.11 297A.99, govern the imposition, administration, collection, and enforcement of the tax  
1.12 authorized under this subdivision.

1.13 **EFFECTIVE DATE. This section is effective the day following final enactment.**

1.14 Renumber the sections in sequence and correct the internal references

1.15 Amend the title accordingly

**Senate Counsel, Research,  
and Fiscal Analysis**

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# Senate

State of Minnesota

## **S.F. No. 2590 - Local Sales and Use Tax for the City of Luverne**

**Author:** Senator Jim Vickerman

**Prepared by:** Michelle Allen, Senate Counsel (651/296-0558)

**Date:** March 20, 2006

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This bill authorizes the city of Luverne to impose a sales and use tax of up to one-half of one percent to pay for: (1) capital improvements and renovation of the Historic Palace Theatre in an amount not to exceed \$3,000,000; and (2) capital improvements and renovation of a vacated community hospital for the Minnesota West Community and Technical College, not to exceed \$3,000,000. The sales tax is subject to approval by the voters at the next general election. The city is also authorized to impose an excise tax of up to \$20 per motor vehicle purchased from a person engaged in the business of selling motor vehicles at retail within the city. If the voters approve the imposition of the tax, then the city is authorized to issue up to \$3,000,000 without an additional referendum. The debt is not included in the municipal debt limitation and any levy of taxes to pay the debt service is not subject to any levy limitation. The tax will expire at the earlier of 30 years or when the city council determines that sufficient funds have been received to pay for the projects and the costs related to the issuance of the bonds.

MJA:dv

# MINNESOTA • REVENUE

## LOCAL SALES AND USE TAX

### Luverne

March 20, 2006

Department of Revenue

Analysis of H.F. 2652 (Magnus) / S.F. 2590 (Vickerman)

	Yes	No
DOR Administrative Costs/Savings		X

The proposal authorizes the city of Luverne to impose a general sales and use tax of 0.5% and an excise tax of \$20 per motor vehicle sold by dealers in the city.

The bill would have no impact on any state fund. Revenue from the proposed tax would go to the city of Luverne for the purposes specified in the bill.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)

hf2652(sf2590)\_1 / tfe

A2



**Support a Luverne Local Option Sales Tax**

*Let the City of Luverne decide!*

**Support HF2652-Magnus, R-Slayton and Hamilton, R-Mountain Lake and SF2590-Vickerman, D-Tracy, authorizing the City of Luverne to impose a 0.5% sales tax. The sales tax, if approved by the voters, would raise 3 million dollars in 30 years to fund the following capital projects of regional significance:**

➤ **Capital improvements and renovation of the Historic Palace Theatre.**

The theatre was opened in 1915 and was placed on the Register of National Historic Sites in 1978. It still houses one of the only original Geneva console pipe organs.



Palace Theatre, Luverne

The theatre attracts visitors from all over the region as the only theatre of its kind in the area. The theatre continues to produce live plays, movies and serves as a community center for the citizens of Luverne.

➤ **Renovation of a vacant community hospital to provide an educational facility for use by the Minnesota West Community and Technical College.**

This facility would attract new students from Southwestern Minnesota and South Dakota for medical technology courses in radiology, cardiology and medical secretarial studies. It would allow the College to remain competitive with colleges in Sioux Falls and attract new students from this region.

Senator Lourey introduced-

S.F. No. 2482: Referred to the Committee on Taxes.

1.1 A bill for an act  
1.2 relating to taxes; authorizing the city of Cloquet to impose a local sales tax.

1.3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.4 Section 1. CITY OF CLOQUET; TAXES AUTHORIZED.

1.5 Subdivision 1. Sales and use tax. Notwithstanding Minnesota Statutes, section  
1.6 477A.016, or any other provision of law, ordinance, or city charter, if approved by the  
1.7 voters pursuant to Minnesota Statutes, section 297A.99, or at a special election held for  
1.8 this purpose, the city of Cloquet may impose by ordinance a sales and use tax of up to  
1.9 one-half of one percent for the purpose specified in subdivision 3. Except as provided in  
1.10 this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition,  
1.11 administration, collection, and enforcement of the tax authorized under this subdivision.

1.12 Subd. 2. Excise tax authorized. Notwithstanding Minnesota Statutes, section  
1.13 477A.016, or any other provision of law, ordinance, or city charter, the city of Cloquet  
1.14 may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up  
1.15 to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person  
1.16 engaged within the city in the business of selling motor vehicles at retail.

1.17 Subd. 3. Use of revenues. Revenues received from taxes authorized by subdivisions  
1.18 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for the  
1.19 following projects:

- 1.20 (1) construction and completion of park improvement projects, including  
1.21 reconstruction of the Pinehurst Park swimming pool complex, St. Louis River Riverfront  
1.22 improvements, Veteran's Park construction, and enhancements to the Hilltop Park soccer  
1.23 complex and Braun Park baseball complex; and

2.1 (2) extension of utilities and the construction of all improvements associated with  
2.2 the new Cloquet Industrial Park.

2.3 Authorized expenses include, but are not limited to, acquiring property and paying  
2.4 construction expenses related to these improvements, and paying debt service on bonds or  
2.5 other obligations issued to finance acquisition and construction of these improvements.

2.6 Subd. 4. Bonding authority. (a) The city may issue bonds under Minnesota  
2.7 Statutes, chapter 475, to pay capital and administrative expenses for the improvements  
2.8 described in subdivision 3 in an amount that does not exceed \$9,000,000. An election to  
2.9 approve the bonds under Minnesota Statutes, section 475.58, is not required.

2.10 (b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes,  
2.11 sections 275.60 and 275.61.

2.12 (c) The debt represented by the bonds is not included in computing any debt  
2.13 limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section  
2.14 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

2.15 Subd. 5. Termination of taxes. The taxes imposed under subdivisions 1 and 2  
2.16 expire at the earlier of (1) 18 years, or (2) when the city council determines that sufficient  
2.17 funds have been received from the taxes to finance the capital and administrative costs of  
2.18 the improvements described in subdivision 3, plus the additional amount needed to pay  
2.19 the costs related to issuance of bonds under subdivision 4, including interest on the bonds.  
2.20 Any funds remaining after completion of the project and retirement or redemption of the  
2.21 bonds may be placed in the general fund of the city. The taxes imposed under subdivisions  
2.22 1 and 2 may expire at an earlier time if the city so determines by ordinance.

2.23 EFFECTIVE DATE. This section is effective the day after the governing body of  
2.24 the city of Cloquet and its chief clerical officer timely comply with Minnesota Statutes,  
2.25 section 645.021, subdivisions 2 and 3.

**Senate Counsel, Research,  
and Fiscal Analysis**

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**Senate**  

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**State of Minnesota**

**S.F. No. 2482 - Local Sales and Use Tax for the City of  
Cloquet**

**Author:** Senator Becky Lourey  
**Prepared by:** Michelle Allen, Senate Counsel (651/296-0558)  
**Date:** March 20, 2006

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This bill authorizes the city of Cloquet to impose a sales and use tax of up to one-half of one percent to pay for park improvement projects, and construction of improvements associated with the new Cloquet Industrial Park. The sales tax is subject to approval by the voters at the next general or special election. The city is also authorized to impose an excise tax of up to \$20 per motor vehicle purchased from a person engaged in the business of selling motor vehicles at retail within the city. If the voters approve imposition of the tax, then the city is authorized to issue up to \$9,000,000 in bonds to pay for the costs of the improvements. An additional referendum on the issuance of the bonds is not required. The debt is not included in the municipal debt limitation and any levy of taxes to pay the debt service is not subject to any levy limitation. The tax will expire at the earlier of 18 years or when the city council determines that sufficient funds have been received to pay for the projects and the costs related to the issuance of the bonds.

MJA:dv

# MINNESOTA - REVENUE

## LOCAL SALES AND USE TAX

### Cloquet

March 20, 2006

Department of Revenue

Analysis of H.F. 2757 (Hilty) / S.F. 2482 (Louery)

	Yes	No
DOR Administrative Costs/Savings		X

The proposal authorizes the city of Cloquet to impose a general sales and use tax of up to 0.5% and an excise tax of \$20 per motor vehicle sold by dealers in the city.

The bill would have no impact on any state fund. Revenue from the proposed tax would go to the city of Cloquet for the purposes specified in the bill.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)

hf2757(sf2482)\_1 / tfe

#3

RESOLUTION NO. 06-03

**A RESOLUTION AUTHORIZING THE MAYOR AND  
CITY ADMINISTRATOR TO SEEK LEGISLATION AUTHORIZING  
THE VOTERS OF THE CITY OF CLOQUET TO VOTE ON THE  
ESTABLISHMENT OF A CITY SALES TAX FOR THE CITY OF CLOQUET**

**WHEREAS,** The City of Cloquet has identified projects within the community which require completion;  
and

**WHEREAS,** The City Council has examined various options for financing such additional services,  
including increasing the general tax levy, federal or state grants, and the implementation of a city sales tax;  
and

**WHEREAS,** The taxpayers of the City are heavily burdened by property taxes; and

**WHEREAS,** A city sales tax could generate the revenues needed to provide the additional needed services;  
and

**WHEREAS,** The Mayor and City Council of the City of Cloquet would like to have the legislative  
authorization to have the voters of the City of Cloquet vote on the establishment of a city sales tax for the  
City of Cloquet.

**NOW, THEREFORE, BE IT RESOLVED, BY THE CITY COUNCIL OF THE CITY OF  
CLOQUET, MINNESOTA,**

1. The Mayor and City Administrator are hereby authorized to seek legislation authorizing the voters of the City of Cloquet to vote on the establishment of a city sales tax for the City of Cloquet.
2. The proceeds of the city sales tax would be utilized for the following items:
  - a. Finance the extension of utilities and the construction of all improvements associated with the new Cloquet Business/Industrial Park.
  - b. Construction and completion of various park improvement projects including the reconstruction of the Pinehurst Park Swimming Pool complex; St. Louis River Riverfront improvements; Veterans Park construction; and enhancements to the Hilltop Park soccer complex and Braun Park baseball complex.
3. The tax would be in effect until the earlier of (a) payment in full all costs associated with these projects (\$9,000,000) or (b) end of eighteen (18) years.

**PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF CLOQUET THIS 3RD  
DAY OF JANUARY, 2006.**

  
Bruce Ahlgren, Mayor

ATTEST:

  
\_\_\_\_\_  
Brian Fritsinger, City Administrator

Senators Koering and Ruud introduced—

S.F. No. 3218: Referred to the Committee on Taxes.

1 A bill for an act  
2 relating to taxation; authorizing the city of Baxter to impose sales and use and  
3 motor vehicle excise taxes and issue general obligation bonds.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

5 **Section 1. CITY OF BAXTER; TAXES AUTHORIZED.**

6 **Subdivision 1. Sales and use tax authorized. Notwithstanding Minnesota Statutes,**  
7 **section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to**  
8 **the approval of the voters on November 2, 2004, and pursuant to Minnesota Statutes,**  
9 **section 297A.99, the city of Baxter may impose by ordinance a sales and use tax of**  
10 **one-half of one percent for the purposes specified in subdivision 3. The provisions of**  
11 **Minnesota Statutes, section 297A.99, govern the imposition, administration, collection,**  
12 **and enforcement of the tax authorized under this subdivision.**

13 **Subd. 2. Excise tax authorized. Notwithstanding Minnesota Statutes, section**  
14 **477A.016, or any other contrary provision of law, ordinance, or city charter, the city of**  
15 **Baxter may impose by ordinance, for the purposes specified in subdivision 3, an excise tax**  
16 **of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any**  
17 **person engaged within the city of Baxter in the business of selling motor vehicles at retail.**

18 **Subd. 3. Use of revenues. Revenues received from the taxes authorized by**  
19 **subdivisions 1 and 2 must be used to pay the cost of collecting and administering the tax**  
20 **and to finance the acquisition and betterment of water and wastewater facilities, building**  
21 **and equipping a fire substation, and constructing the Paul Bunyan Bridge over Excelsior**  
22 **Road and related improvements, as approved by the voters at the referendum authorizing**  
23 **the tax. Authorized costs include, but are not limited to, acquiring property and paying**  
24 **construction and engineering costs related to the projects.**

2.1           Subd. 4. Bonds. The city of Baxter, pursuant to the approval of the voters at the  
2.2 November 2, 2004, referendum authorizing the imposition of the taxes in this section, may  
2.3 issue general obligation bonds of the city, in one or more series, in the aggregate principal  
2.4 amount not to exceed \$15,000,000 to finance the projects listed in subdivision 3. The debt  
2.5 represented by the bonds is not included in computing any debt limitations applicable to  
2.6 the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the  
2.7 principal of and interest on the bonds is not subject to any levy limitation or included in  
2.8 computing or applying any levy limitation applicable to the city of Baxter.

2.9           Subd. 5. Termination of taxes. The taxes imposed under subdivisions 1 and 2  
2.10 expire at the earlier of a date 12 years after the imposition of the tax or when the Baxter  
2.11 City Council first determines that the amount of revenues raised from the taxes to pay for  
2.12 the projects equals or exceeds \$15,000,000 plus any interest on bonds issued for the  
2.13 projects under subdivision 3. Any funds remaining after the expiration of the taxes and  
2.14 retirement of the bonds shall be placed in a capital project fund of the city of Baxter. The  
2.15 taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city of  
2.16 Baxter so determines by ordinance.

2.17           EFFECTIVE DATE. This section is effective the day after compliance by  
2.18 the governing body of the city of Baxter with Minnesota Statutes, section 645.021,  
2.19 subdivision 3.

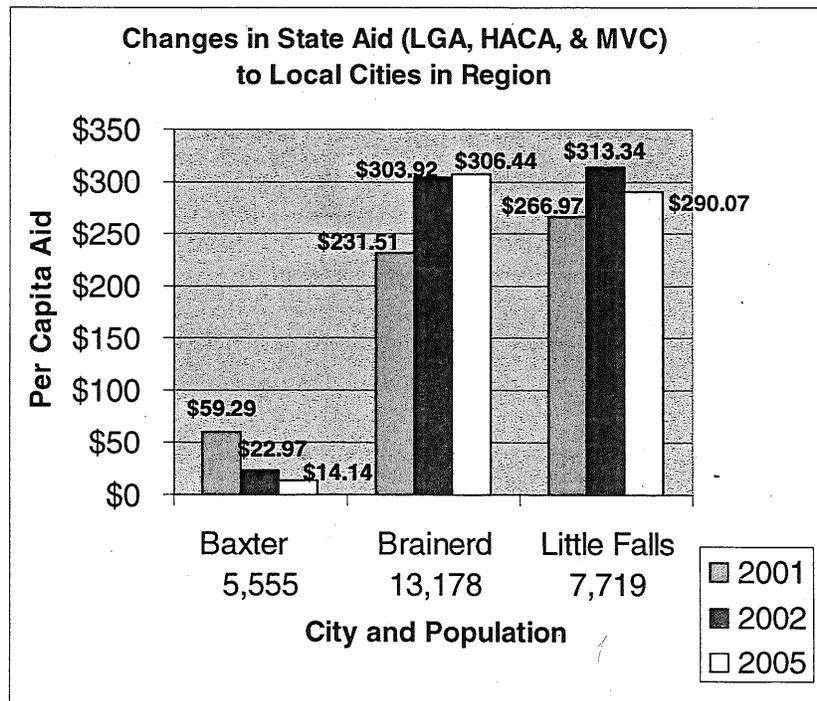


# Baxter Local Option Sales Tax Request

During the past five years, the Baxter City Council has explored the possibility of a local option sales tax as a **supplemental** funding source for infrastructure and public safety costs for a tourist area and a growing regional trade center. Four large ticket projects are needed in the City that benefits the entire region: water and waste water plant upgrades, a fire substation, and pedestrian trail and green space improvements.

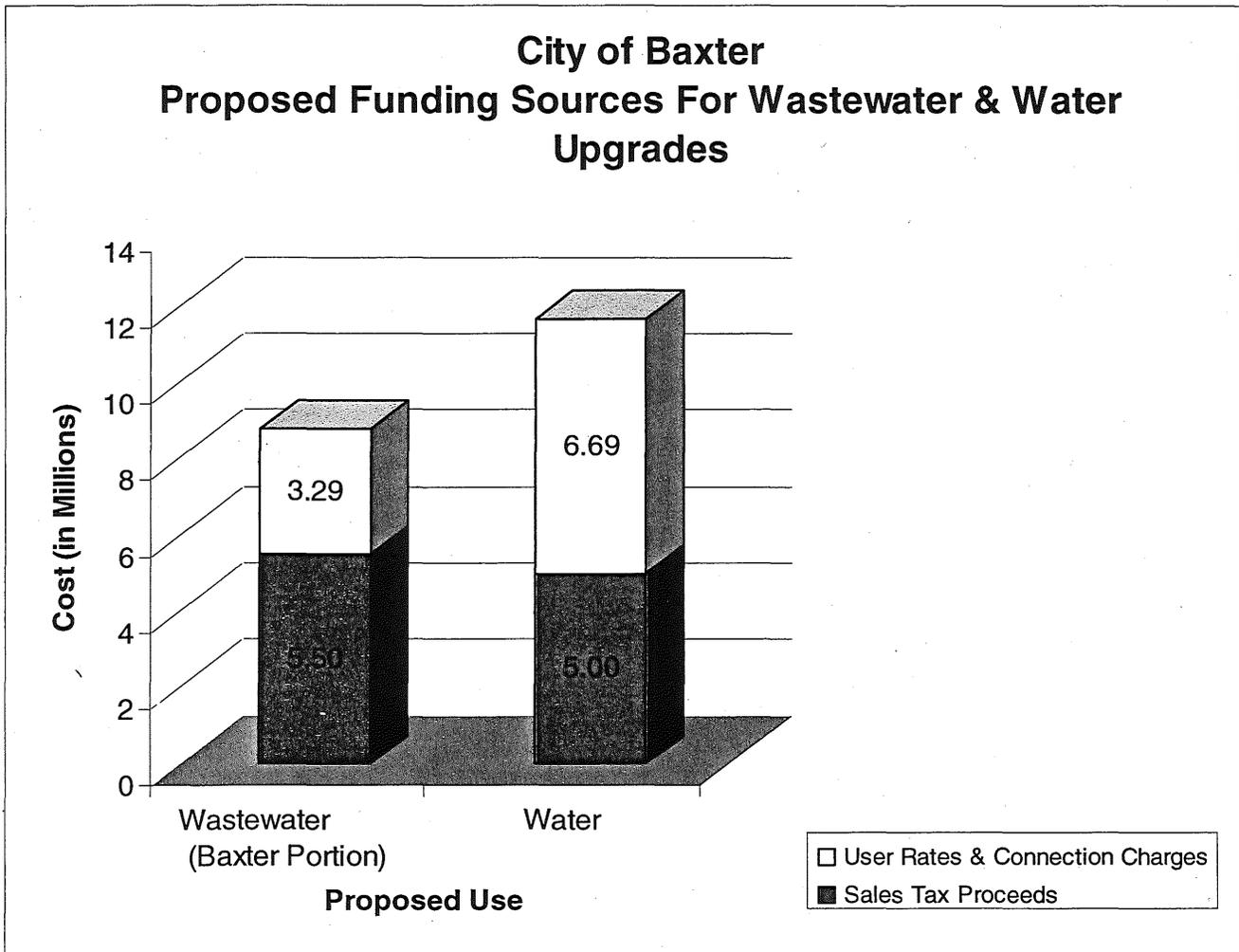
- Approved by 58% of the voters on November 2, 2005
- More Details on the Proposed Uses include:
  - Upgrades to waste water facilities
    - Baxter shares a wastewater facility with the City of Brainerd.
    - Engineer's estimates indicate a \$22 Million upgrade/expansion is needed
    - Baxter's portion amounts to approximately \$8.8 Million
    - Improvements will address continued growth and the Impaired Waters Initiative as the waste water plant is discharged into the Mississippi River
  - Upgrades to water facilities
    - Need for an additional water tower and new water treatment plant, \$12.1 Million
  - Need for a fire substation for the fire district
    - Contract for Fire Service with City of Brainerd,
    - Completed study indicates a \$3.5 Million start up cost for building and equipment
    - Services benefit both cities and numerous surrounding townships, including resorts
- Over \$203 Million in taxable sales were generated in Baxter in 2000. Based on 2000 figures, a one-half percent (0.5%) sales tax would generate in excess of \$1,000,000 per year for much needed capital projects.

- City has continued to lose state funding as shown on the following graph. In 2002, Baxter lost its \$201,000 of Homestead Aid Credit (HACA) and its entire \$127,000 of Local Government Aid (LGA) in 2003. A portion, amounting to \$112,000, of our Market Value Credit was temporarily reduced in 2003, 2004, 2005, and 2006.



- Baxter proposes a multi-source of funding for its water and wastewater issues. The City has already taken proactive steps to fund these projects with more sources than just a sales tax. Since 2001, Baxter has significantly increased the following residential water and sewer rates:
  1. **Increased Water Availability Charges (WAC) 363%** (from \$800 to \$2,900 per unit),
  2. **Increased Sewer Availability Charges (SAC) 400%** (from \$800 to \$3,200 per unit),
  3. **Increased Average Residential Water Rates 119%**,
  4. **Increased Residential Sewer Rates 151%**

Compared to other cities, we are now near the top in WAC and SAC fees and water and sewer rates which may hamper our economic development competitiveness.



#### Annual Funding Comparison Effect on the Average Baxter Household

Property Tax Increase on \$140,000 Home	\$390
Water & Sewer Bill Increase	\$343
Sales Tax Increase to Median Household	\$ 80

**Senate Counsel, Research,  
and Fiscal Analysis**

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JO ANNE ZOFF SELLNER  
DIRECTOR

# Senate

State of Minnesota

## **S.F. No. 3218 - Local Sales and Use Tax for the City of Baxter**

**Author:** Senator Paul Koering and Senator Carrie Ruud

**Prepared by:** Michelle Allen, Senate Counsel (651/296-0558)

**Date:** March 20, 2006

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This bill authorizes the city of Baxter to impose a sales and use tax of up to one-half of one percent to pay for waste and wastewater facilities, building and equipping a fire substation, and constructing the Paul Bunyan Bridge over Excelsior Road. The sales tax is subject to approval by the voters at the next general election. The city is also authorized to impose an excise tax of up to \$20 per motor vehicle purchased from a person engaged in the business of selling motor vehicles at retail within the city. If the voters approve the imposition of the tax, the city is authorized to issue up to \$15,000,000 in bonds to pay for the costs of the projects. The debt is not included in the municipal debt limitation and any levy of taxes to pay the debt service is not subject to any levy limitation. The tax will expire at the earlier of 12 years or when the city council determines that sufficient funds have been received to pay for the projects and the costs related to the issuance of the bonds.

MJA:dv

# MINNESOTA REVENUE

## LOCAL SALES AND USE TAX

### Baxter

March 20, 2006

Department of Revenue  
Analysis of S.F. 3218 (Koering)

	Yes	No
DOR Administrative Costs/Savings		X

The proposal authorizes the city of Baxter to impose a general sales and use tax of 0.5% and an excise tax of \$20 per motor vehicle sold by dealers in the city.

The bill would have no impact on any state fund. Revenue from the proposed tax would go to the city of Baxter for the purposes specified in the bill.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)

sf3218\_1 / tfe

Senators Koering, Berglin, Pogemiller, Belanger and Johnson, D.E. introduced--  
S.F. No. 2768: Referred to the Committee on Taxes.

1.1 A bill for an act  
1 relating to taxation; authorizing the cities of Baxter, Brainerd, and Nisswa to  
1.5 impose a sales and use tax and issue general obligation bonds.

1.4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.5 Section 1. CITY OF BAXTER; TAXES AUTHORIZED.

1.6 Subdivision 1. Sales and use tax authorized. Notwithstanding Minnesota Statutes,  
1.7 section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to  
1.8 the approval of the voters on November 2, 2004, and pursuant to Minnesota Statutes,  
1.9 section 297A.99, the city of Baxter may impose by ordinance a sales and use tax of  
1.10 one-half of one percent for the purposes specified in subdivision 3. The provisions of  
1.11 Minnesota Statutes, section 297A.99, govern the imposition, administration, collection,  
1. and enforcement of the tax authorized under this subdivision.

1.13 Subd. 2. Excise tax authorized. Notwithstanding Minnesota Statutes, section  
1.14 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of  
1.15 Baxter may impose by ordinance, for the purposes specified in subdivision 3, an excise tax  
1.16 of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any  
1.17 person engaged within the city of Baxter in the business of selling motor vehicles at retail.

1.18 Subd. 3. Use of revenues. Revenues received from the taxes authorized by  
1.19 subdivisions 1 and 2 must be used to pay the cost of collecting and administering the tax  
1.20 and to finance the acquisition and betterment of water and wastewater facilities, building  
1.21 and equipping a fire substation, and constructing the Paul Bunyan Bridge over Excelsior  
1.22 Road and related improvements, as approved by the voters at the referendum authorizing  
1.23 the tax. Authorized costs include, but are not limited to, acquiring property and paying  
1.24 construction and engineering costs related to the projects.

2.1        Subd. 4. Bonds. The city of Baxter, pursuant to the approval of the voters at the  
2.2 November 2, 2004, referendum authorizing the imposition of the taxes in this section, may  
2.3 issue general obligation bonds of the city, in one or more series, in the aggregate principal  
2.4 amount not to exceed \$15,000,000 to finance the projects listed in subdivision 3. The debt  
2.5 represented by the bonds is not included in computing any debt limitations applicable to  
2.6 the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the  
2.7 principal of and interest on the bonds is not subject to any levy limitation or included in  
2.8 computing or applying any levy limitation applicable to the city of Baxter.

2.9        Subd. 5. Termination of taxes. The taxes imposed under subdivisions 1 and 2  
2.10 expire at the earlier of a date 12 years after the imposition of the tax or when the Baxter  
2.11 City Council first determines that the amount of revenues raised from the taxes to pay for  
2.12 the projects equals or exceeds \$15,000,000 plus any interest on bonds issued for the  
2.13 projects under subdivision 3. Any funds remaining after the expiration of the taxes and  
2.14 retirement of the bonds shall be placed in a capital project fund of the city of Baxter. The  
2.15 taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city of  
2.16 Baxter so determines by ordinance.

2.17        EFFECTIVE DATE. This section is effective the day after compliance with  
2.18 the governing body of the city of Baxter with Minnesota Statutes, section 645.021,  
2.19 subdivision 3.

2.20        **Sec. 2. CITY OF BRAINERD; TAXES AUTHORIZED.**

2.21        Subdivision 1. Sales and use tax authorized. Notwithstanding Minnesota Statutes,  
2.22 section 477A.016, or any other provision of law, ordinance, or city charter, contingent  
2.23 on the approval of the voters on the November 7, 2006, referendum, and pursuant to  
2.24 Minnesota Statutes, section 297A.99, the city of Brainerd may impose by ordinance a sales  
2.25 and use tax of one-half of one percent for the purposes specified in subdivision 3. The  
2.26 provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration,  
2.27 collection, and enforcement of the tax authorized under this section.

2.28        Subd. 2. Excise tax authorized. Notwithstanding Minnesota Statutes, section  
2.29 477A.016, or any other provision of law, ordinance, or city charter, the city of Brainerd  
2.30 may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up  
2.31 to \$20 per motor vehicle, as defined by ordinance, purchased, or acquired from any person  
2.32 engaged within the city of Brainerd in the business of selling motor vehicles at retail.

2.33        Subd. 3. Use of revenues. Revenues received from the taxes authorized by  
2.34 subdivisions 1 and 2 must be used to pay the cost of collecting and administering the tax  
2.35 and to finance all or part of the costs of constructing an upgraded wastewater treatment

3.1 facility to serve the cities of Brainerd and Baxter, water infrastructure improvements, and  
 3.2 trail development, contingent on approval by Brainerd voters at the November 7, 2006,  
 3.3 referendum. Authorized costs include, but are not limited to, acquiring property and  
 3.4 paying construction and engineering costs related to the projects.

3.5 Subd. 4. Bonds. The city of Brainerd, contingent on approval of the voters at the  
 3.6 November 7, 2006, referendum authorizing the imposition of taxes in this section, may  
 3.7 issue general obligation bonds of the city, in one or more series, in the aggregate principal  
 3.8 amount not to exceed \$22,030,000 to finance the projects listed in subdivision 3. The debt  
 3.9 represented by the bonds is not included in computing any debt limitations applicable to  
 3.10 Brainerd, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the  
 3.11 principal and interest on the bonds is not subject to any levy limitation or included in  
 3.12 computing any levy limitation applicable to the city of Brainerd.

3.13 Subd. 5. Termination of taxes. The taxes imposed under subdivisions 1 and 2  
 3.14 expire at the earlier of a date 12 years after the imposition of the tax or when the city  
 3.15 council first determines that the amount of revenues raised from the taxes to pay for  
 3.16 projects equals or exceeds \$22,030,000 plus any interest on bonds issued for the projects  
 3.17 under subdivision 3. Any funds remaining after the expiration of the taxes and retirement  
 3.18 of the bonds shall be placed in a capital project fund of the city of Brainerd. The taxes  
 3.19 imposed under subdivision 1 and 2 may expire at an earlier time if the city of Brainerd so  
 3.20 determines by ordinance.

3.21 EFFECTIVE DATE. This section is effective the day after compliance with  
 3.22 the governing body of the city of Brainerd with Minnesota Statutes, section 645.021,  
 3.23 subdivision 3.

3.24 **Sec. 3. CITY OF NISSWA; TAXES AUTHORIZED.**

3.25 Subdivision 1. Sales and use tax authorized. Notwithstanding Minnesota Statutes,  
 3.26 section 477A.016, or any other provision of law, ordinance, or city charter, contingent on  
 3.27 the approval of Nisswa voters on November 7, 2006, and pursuant to Minnesota Statutes,  
 3.28 section 297A.99, the city of Nisswa may impose by ordinance a sales and use tax of  
 3.29 one-half of one percent for the purposes specified in subdivision 3. The provisions of  
 3.30 Minnesota Statutes, section 297A.99, govern the imposition, administration, collection,  
 3.31 and enforcement of the tax authorized under this subdivision.

3.32 Subd. 2. Excise tax authorized. Notwithstanding Minnesota Statutes, section  
 3.33 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of  
 3.34 Nisswa may impose by ordinance, for the purposes specified in subdivision 3, an excise tax

4.1 of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any  
4.2 person engaged within the city of Nisswa in the business of selling motor vehicles at retail.

4.3 Subd. 3. Use of revenues. Revenues received from the taxes authorized by  
4.4 subdivisions 1 and 2 must be used to pay the cost of collecting and administering the  
4.5 tax and to pay costs of financing the acquisition of property, construction costs, and  
4.6 engineering costs for an upgraded wastewater treatment facility and related improvements,  
4.7 and city-borne costs related to the upgrade of State Highway 371 through Nisswa,  
4.8 contingent on the approval of Nisswa voters at the November 7, 2006, referendum  
4.9 authorizing the tax. Authorized costs include, but are not limited to, acquiring property  
4.10 and paying construction and engineering costs related to the projects.

4.11 Subd. 4. Bonds. The city of Nisswa, contingent on the approval of the voters at the  
4.12 November 7, 2006, referendum authorizing the imposition of taxes in this section, may  
4.13 issue general obligation bond of the city, in one or more series, in the aggregate principal  
4.14 amount not to exceed \$7,800,000 to finance the projects listed in subdivision 3. The debt  
4.15 represented by the bonds is not included in computing any debt limitations applicable to  
4.16 the city of Nisswa, and the levy of taxes required by Minnesota Statutes, section 475.61, to  
4.17 pay the principal and interest on the bonds is not subject to any levy limitation or included  
4.18 in computing or applying any levy limitation applicable to the city of Nisswa.

4.19 Subd. 5. Termination of taxes. The taxes imposed under subdivisions 1 and 2  
4.20 expire when the Nisswa City Council first determines that the amount of revenues raised  
4.21 from the taxes to pay for the projects equals or exceeds \$7,800,000 plus any interest  
4.22 on bonds issued for the projects under subdivision 3. Any funds remaining after the  
4.23 expiration of the taxes and retirement of the bonds shall be placed in a capital project fund  
4.24 of the city of Nisswa. The taxes imposed under subdivisions 1 and 2 may expire at an  
4.25 earlier time if the city of Nisswa so determines by ordinance.

4.26 EFFECTIVE DATE. This section is effective the day after compliance with  
4.27 the governing body of the city of Nisswa with Minnesota Statutes, section 645.021,  
4.28 subdivision 3.

**Senate Counsel, Research,  
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**Senate**  

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**State of Minnesota**

**S.F. No. 2768 - Local Sales and Use Tax for the Cities of  
Baxter, Brainerd, and Nisswa**

**Author:** Senator Paul Koering

**Prepared by:** Michelle Allen, Senate Counsel (651/296-0558)

**Date:** March 20, 2006

---

This bill authorizes the cities of Baxter, Brainerd, and Nisswa, to impose a sales and use tax of up to one-half of one percent and a motor vehicle excise tax of up to \$20. The city of Baxter may use the revenue from the tax to pay for constructing the Paul Bunyan Bridge over Excelsior Road, building and equipping a fire substation, and acquiring and bettering waste and wastewater facilities. The city of Baxter is also authorized to issue up to \$15,000,000 in bonds to pay for the costs of the projects. The debt is not included in the municipal debt limitation, and any levy of taxes to pay the debt service is not subject to any levy limitation. The tax will expire at the earlier of 12 years or when the city council determines that sufficient funds have been received to pay for the projects and the costs related to the issuance of the bonds. The voters of the city of Baxter approved the imposition of the tax on November 2, 2004.

If voter approval is received at the general election on November 7, 2006, the city of Brainerd may use the revenue from the tax to pay for constructing the Paul Bunyan Bridge over Excelsior Road, for an upgraded wastewater treatment facility, water infrastructure improvements, and trail development. If the voters approve the imposition of the tax, the city of Brainerd is also authorized to issue up to \$22,030,000 in bonds to pay for the costs of the projects. The debt is not included in the municipal debt limitation and any levy of taxes to pay the debt service is not subject to any levy limitation. The tax will expire at the earlier of 12 years or when the city council determines that sufficient funds have been received to pay for the projects and the costs related to the issuance of the bonds.

If voter approval is received at the general election on November 7, 2006, the city of Nisswa may use the revenue from the tax to pay for constructing an upgraded wastewater treatment facility and city-borne costs related to the upgrade of the State Highway 371 through Nisswa. If voters

approve the imposition of the tax, the city of Brainerd is also authorized to issue up to \$7,800,000 in bonds to pay for the costs of the projects. The debt is not included in the municipal debt limitation and any levy of taxes to pay the debt service is not subject to any levy limitation. The tax will expire when the city council determines that sufficient funds have been received to pay for the projects and the costs related to the issuance of the bonds.

MJA:dv

# MINNESOTA • REVENUE

## LOCAL SALES AND USE TAX Baxter, Brainerd, and Nisswa

March 20, 2006

Department of Revenue  
Analysis of S.F. 2768 (Koering) / H.F. 3324 (Gazelka)

	Yes	No
DOR Administrative Costs/Savings		X

The proposal authorizes the cities of Baxter, Brainerd, and Nisswa to each impose a general sales and use tax of up to 0.5% and an excise tax of \$20 per motor vehicle sold by dealers in the cities.

The bill would have no impact on any state fund. Revenue from each of the proposed taxes would go to the city for the purposes specified in the bill.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)

sf2768(hf3324)\_1 / tfe

Senator Solon introduced-

S.F. No. 2546: Referred to the Committee on Taxes.

1.1 A bill for an act  
 1.2 relating to the city of Duluth; authorizing the city of Duluth to increase the rate  
 1.3 of tax on sales of food and beverages; authorizing use of the proceeds of the  
 1.4 tax for certain improvements; amending Laws 1980, chapter 511, section 1,  
 1.5 subdivision 2, as amended.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Laws 1980, chapter 511, section 1, subdivision 2, as amended by Laws 1991,  
 1.8 chapter 291, article 8, section 22; Laws 1998, chapter 389, article 8, section 25; and Laws  
 1.9 2003, First Special Session chapter 21, article 8, section 11, is amended to read:

1.10  
 1.11 Subd. 2. Notwithstanding Minnesota Statutes, Section 477A.016, or any other law,  
 1.12 ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance,  
 1.13 impose an additional sales tax of up to ~~one and one-half~~ two and one-quarter percent on  
 1.14 sales transactions which are described in Minnesota Statutes 2000, Section 297A.01,  
 1.15 Subdivision 3, Clause (c). When the city council determines that the taxes imposed  
 1.16 under this subdivision and under Laws 1998, chapter 389, article 8, section 26, at a rate  
 1.17 of one-half of one percent have produced revenue sufficient to pay (1) the debt service  
 1.18 on bonds in a principal amount of \$8,000,000 issued for capital improvements to the  
 1.19 Duluth Entertainment and Convention Center, and (2) debt service on outstanding bonds  
 1.20 originally issued in the principal amount of \$4,970,000 to finance capital improvements to  
 1.21 the Great Lakes Aquarium since the imposition of the taxes at the rate of one and one-half  
 1.22 percent, the rate of the tax under this subdivision is reduced to by one-half of one percent.  
 1.23 When the city council determines that the taxes imposed under this subdivision at a rate  
 1.24 of three-quarters of one percent have produced revenue sufficient to pay debt service on  
 1.25 bonds in the principal amount of \$33,700,000, plus issuance and discount costs, issued

2.1 for capital improvements for a new arena at the Duluth Entertainment and Convention  
2.2 Center, the rate of tax under this subdivision shall be reduced by three-quarters of one  
2.3 percent. The imposition of this tax shall not be subject to voter referendum under either  
2.4 state law or city charter provisions.

2.5 **EFFECTIVE DATE.** This section is effective the day after the governing body of  
2.6 the city of Duluth and its chief clerical officer comply with Minnesota Statutes, section  
2.7 645.021, subdivisions 2 and 3.

2.8

**Senate Counsel, Research,  
and Fiscal Analysis**

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# Senate

State of Minnesota

## **S.F. No. 2546 - Increasing Duluth's Local Sales Tax on Food and Beverages**

**Author:** Senator Yvonne Solon

**Prepared by:** Michelle Allen, Senate Counsel (651/296-0558)

**Date:** March 20, 2006

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This bill authorizes the city of Duluth to increase by ordinance, its sales tax on food and beverages from the current rate of one and one-half percent to two and one-quarter percent. The bill also changes the reduction rate of the tax. This bill proposes to allow the city council to reduce the rate by one-half percent. Thus, the reduced rate would be one and three-quarters percent rather than the one-half percent currently provided for the time when the city council determines that the tax has raised revenue sufficient to pay the debt service on \$8,000,000 principal of bonds issued for capital improvements to the Duluth Entertainment Center, and \$4,970,000 principal of bonds for capital improvements to the Great Lakes Aquarium. This bill also adds a further reduction of three-quarters of one percent when the city council determines that revenue has been raised to pay debt service on bonds in the principal amount of \$33,700,000 issued for a new arena at the Duluth Entertainment and Convention Center.

MJA:dv

# MINNESOTA REVENUE

## LOCAL SELECTIVE SALES TAX Duluth Food and Beverage Tax

March 20, 2006

Department of Revenue  
Analysis of S.F. 2546 (Solon) / H.F. 3333 (Jaros)

	Yes	No
DOR Administrative Costs/Savings		X

The proposal authorizes the city of Duluth to increase the rate of its served food and beverages tax from 1.5% to 2.25%.

The bill would have no impact on any state fund. Proceeds from the tax would go to the city of Duluth for the purposes specified in the bill.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)

sf2546(hf3333)\_1 / tfe

Senator Sparks introduced-

S.F. No. 2901: Referred to the Committee on Taxes

1.1 A bill for an act  
relating to the city of Austin; authorizing the city to impose a sales and use tax.

1.3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.4 Section 1. CITY OF AUSTIN; TAXES AUTHORIZED.

1.5 Subdivision 1. Sales and use tax. Notwithstanding Minnesota Statutes, section  
1.6 477A.016, or any other provision of law, ordinance, or city charter, if approved by the  
1.7 voters pursuant to Minnesota Statutes, section 297A.99, at the next general election or  
1.8 special election held for that purpose before January 1, 2007, the city of Austin may  
1.9 impose by ordinance a sales and use tax of up to one-half of one percent for the purpose  
1.10 specified in subdivision 2. Except as otherwise provided in this section, the provisions of  
1.11 Minnesota Statutes, section 297A.99, govern the imposition, administration, collection,  
1.12 and enforcement of the tax authorized under this subdivision.

1.13 Subd. 2. Use of revenues. Revenues received from taxes authorized by subdivision  
1.14 1 must be used by the city of Austin to pay all or part of the capital or administrative costs  
1.15 of flood mitigation projects in the city of Austin. Authorized expenses include, but are not  
1.16 limited to, acquiring property and paying construction and engineering expenses related  
1.17 to the flood mitigation projects.

1.18 Subd. 3. Termination of tax. The tax authorized under subdivision 1 terminates at  
1.19 the earlier of:

1.20 (1) 20 years after the date of initial imposition of the tax; or

1.21 (2) when the Austin City Council determines that the amount described in  
1.22 subdivision 2 has been received from the tax to finance the capital and administrative costs  
1.23 for the projects specified in subdivision 2.

2.1 Any funds remaining after completion of the projects specified in subdivision 2 may  
2.2 be placed in the general fund of the city. The tax imposed under subdivision 1 may expire  
2.3 at an earlier time if the city so determines by ordinance.

2.4 **EFFECTIVE DATE.** This section is effective the day after compliance by  
2.5 the governing body of the city of Austin with Minnesota Statutes, section 645.021,  
2.6 subdivisions 2 and 3.

Accepted

1.1 Senator ..... moves to amend S.F. No. 2901 as follows:

1.2 Page 1, after line 17, insert:

1.3 "Subd. 3. Bonding authority. Pursuant to the approval of the city voters to impose  
1.4 the tax authorized in subdivision 1, the city of Austin may issue without an additional  
1.5 election general obligation bonds of the city in an amount not to exceed \$14,000,000 to  
1.6 finance the costs for the projects specified in subdivision 2. The debt represented by the  
1.7 bonds must not be included in computing any debt limitations applicable to the city, and  
1.8 the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal or  
1.9 any interest on the bonds must not be subject to any levy limitation."

1.10 Page 1, line 18, delete "3" and insert "4"

1.11 Page 1, line 23, after "2" insert ", and to repay or retire at maturity, the principal,  
1.12 interest, and premium due on any bonds issued for the projects under subdivision 3"

1.13 Page 2, line 1, after "2" insert ", and retirement or redemption of the bonds in  
1.14 subdivision 3,"

1.15 Amend the title accordingly

**Senate Counsel, Research,  
and Fiscal Analysis**

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**Senate**

**State of Minnesota**

**S.F. No. 2901 - Local Sales and Use Tax for the City of  
Austin**

**Author:** Senator Dan Sparks

**Prepared by:** Michelle Allen, Senate Counsel (651/296-0558)

**Date:** March 20, 2006

---

This bill authorizes the city of Austin to impose a sales and use tax of up to one-half of one percent to pay for flood mitigation projects. The sales tax is subject to approval by the voters at the next general election or special election held for that purpose by January 1, 2007. The debt is not included in the municipal debt limitation and any levy of taxes to pay the debt service is not subject to any levy limitation. The tax will expire at the earlier of 20 years or when the city council determines that sufficient funds have been received to pay for the projects.

MJA:dv

# MINNESOTA • REVENUE

## LOCAL SALES AND USE TAX

### Austin

March 20, 2006

Department of Revenue

Analysis of S.F. 2901 (Sparks) / H.F. 3410 (Poppe)

	Yes	No
DOR Administrative Costs/Savings		X

The proposal authorizes the city of Austin to impose a general sales and use tax of up to 0.5%.

The bill would have no impact on any state fund. Revenue from the proposed tax would go to the city of Austin for the purposes specified in the bill.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)

sf2901(hf3410)\_1 / tfe

#5

City of Austin



500 Fourth Avenue NE  
 Austin, Minnesota 55912-3773  
 Phone: 507-437-9940  
 Fax: 507-434-7197  
 www.ci.austin.mn.us.

February 21, 2006

Members of the Minnesota Senate and House of Representatives:

In recent decades the City of Austin has been devastated by flooding with greater frequency and with greater physical damage. In addition, in the last flood of September 2004, we also suffered loss of life.

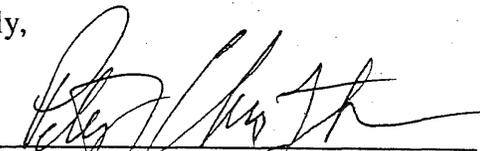
The City of Austin is taking a comprehensive, planned approach to flood mitigation (see attached summary). Our efforts to complete the flood mitigation projects have been hampered by the lack of a reliable funding source. We continue to seek financial assistance from the state and federal governments to help us with the flood mitigation projects but have determined that if this project is to be accomplished, we will need to provide our own source of revenue. Due to the regional nature of flooding and the City of Austin dealing with flood waters that do not originate in Austin, we feel that a local option sales tax is the best source if we are to complete our flood mitigation efforts.

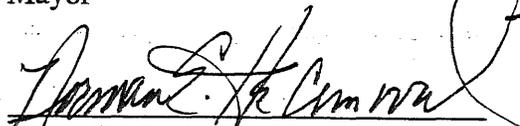
After much consideration, we have determined that the fairest way to raise local dollars is to create a 0.5% sales tax for Austin. The Austin Chamber of Commerce supports our comprehensive approach and agrees that the local option sales tax is an essential funding mechanism.

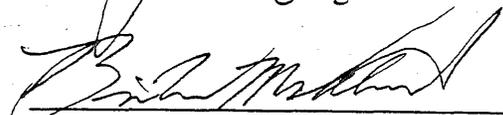
We thank you for consideration of legislation to allow Austin to take the 0.5% local option sales tax to referendum election this November.

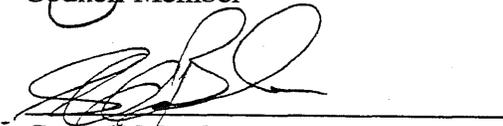
Sincerely,

  
 \_\_\_\_\_  
 Mayor

  
 \_\_\_\_\_  
 Council Member-at-Large

  
 \_\_\_\_\_  
 Council Member

  
 \_\_\_\_\_  
 Council Member

  
 \_\_\_\_\_  
 Council Member

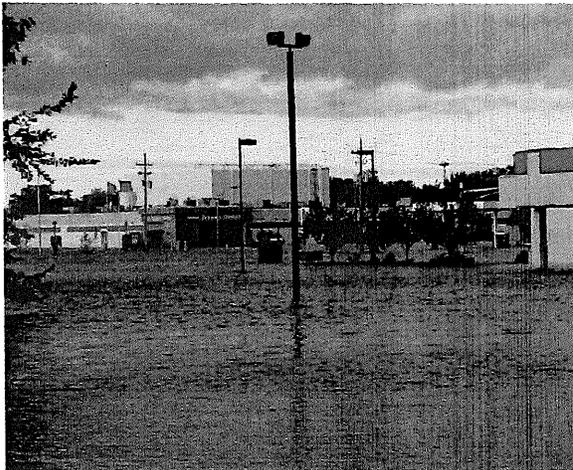
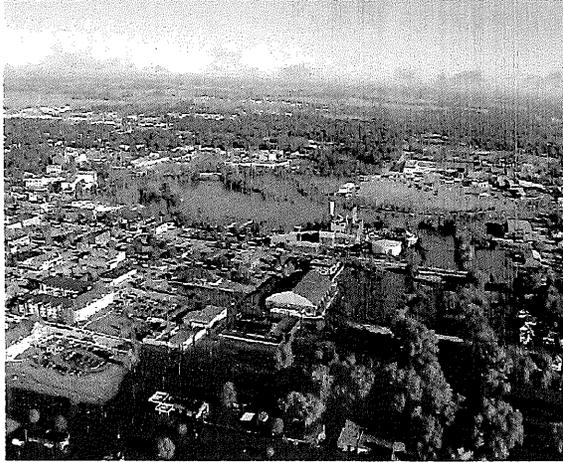
  
 \_\_\_\_\_  
 Council Member

  
 \_\_\_\_\_  
 Council Member

  
 \_\_\_\_\_  
 Council Member

AUSTIN  A MINNESOTA STAR CITY

# *City of Austin*



City of Austin



500 Fourth Avenue NE  
Austin, Minnesota 55912-3773  
Phone: 507-437-9940  
Fax: 507-434-7197  
www.ci.austin.mn.us

## AUSTIN, MINNESOTA FLOOD MITIGATION PROJECT COMPREHENSIVE PLAN

### 1) Wildwood Park

This neighborhood is located north of I-90 west of the Hormel Corporate Office on 1<sup>st</sup> Street NE. The properties have been subject to repetitive flood events. The City of Austin applied for and has received tentative approval for a FEMA Flood Mitigation Grant. This grant provides for the voluntary acquisition of 17 residential structures.

### 2) North Main

This project would provide for structural protection of properties from 4<sup>th</sup> Avenue NE (Cedar River Dam) to I-90. A preliminary project scope has been developed with an estimated budget of \$10,500,000. The project can be completed in a phased sequence.

### 3) Railroad Revitalization Project

This project provides for the voluntary acquisition of commercial properties that have been subject to repetitive flooding events. As part of the project, the property owners have been encouraged to redevelop on the Railroad Development site.

### 4) Scattered Site Acquisition

Property located throughout Austin has been subject to repetitive flood losses. A number of these parcels cannot be cost effectively protected and the only feasible mitigation effort is acquisition. All acquisition would be based on repetitive loss criteria to determine eligibility.

### 5) East Side Lake

The residential property on 14<sup>th</sup> Street NE between 4<sup>th</sup> Avenue and 6<sup>th</sup> Avenue NE is impacted by flooding. A structural mitigation project through the park area would mitigate the flooding impacts. Project could occur as part of the 2006 Street Improvement Program in this area.

### 6) Turtle Creek

The Turtle Creek area from I-90 to the confluence with the Cedar River is being impacted more often and to a greater degree. We are proposing to conduct a structural and

acquisition review to determine the necessary mitigation required. This study would occur in 2006.

**7) Dobbins Creek**

The Dobbins Creek area from I-90 to 21<sup>st</sup> Street NE needs to be considered for flood mitigation. A number of properties have developed their own protective measures but a comprehensive review needs to be completed.

**8) Regional Flood Mitigation**

The City of Austin is working towards the development of a regional organizational unit of government to manage surface water in the Upper Cedar River Watershed. Types of organizations being considered include: watersheds, Joint Power Agreements, or Memorandum of Understanding. Dependent upon the type of organization, operational funding will be required. At this point, the financial component is unknown.

**9) Stream Bank Protection**

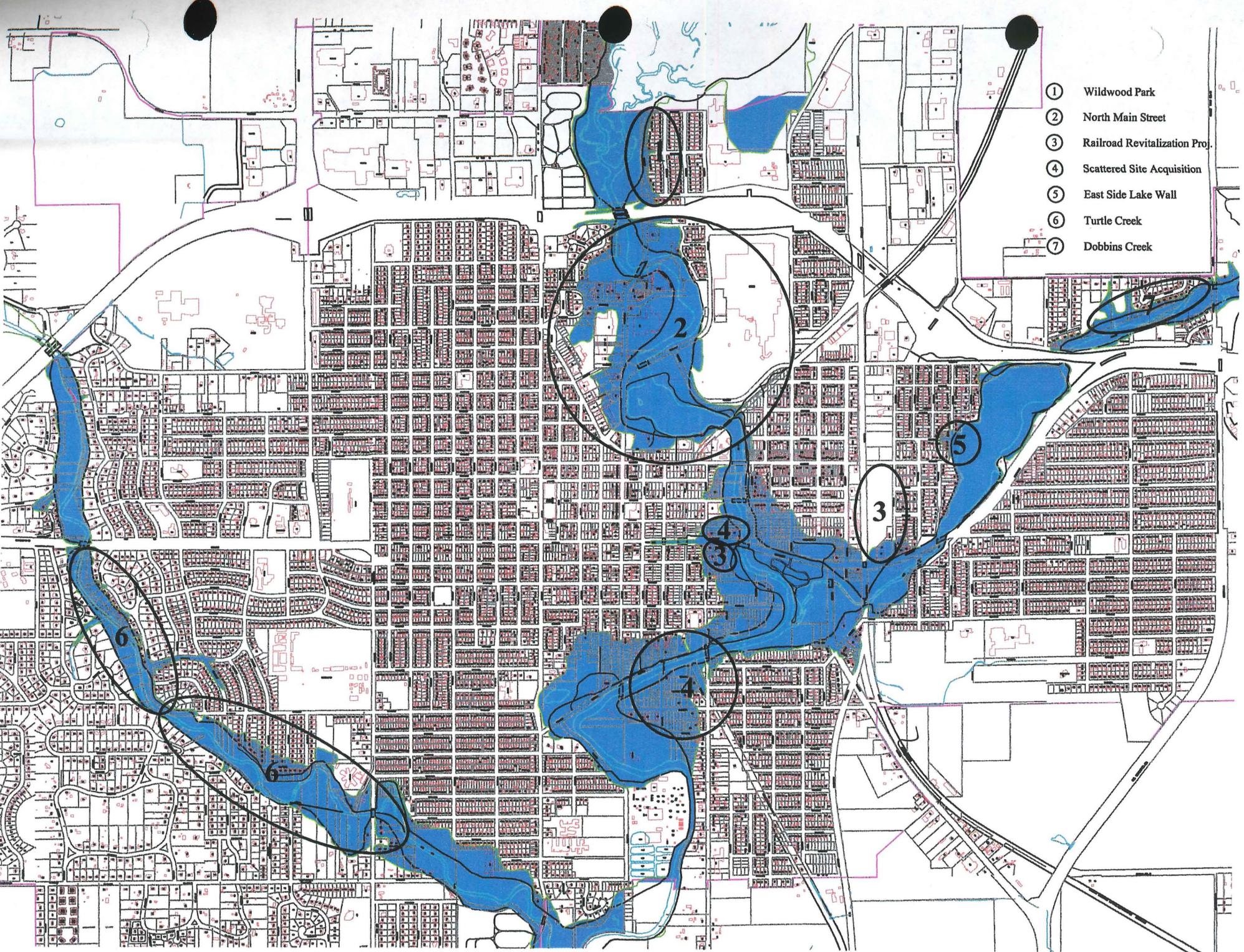
Repetitive flooding has created a number of areas adjacent to public property that is subject to erosion and unstable banks. A comprehensive program to rip rap and provide native vegetation in these areas would minimize future flooding impacts.

CITY OF AUSTIN FLOOD MITIGATION PROJECTS

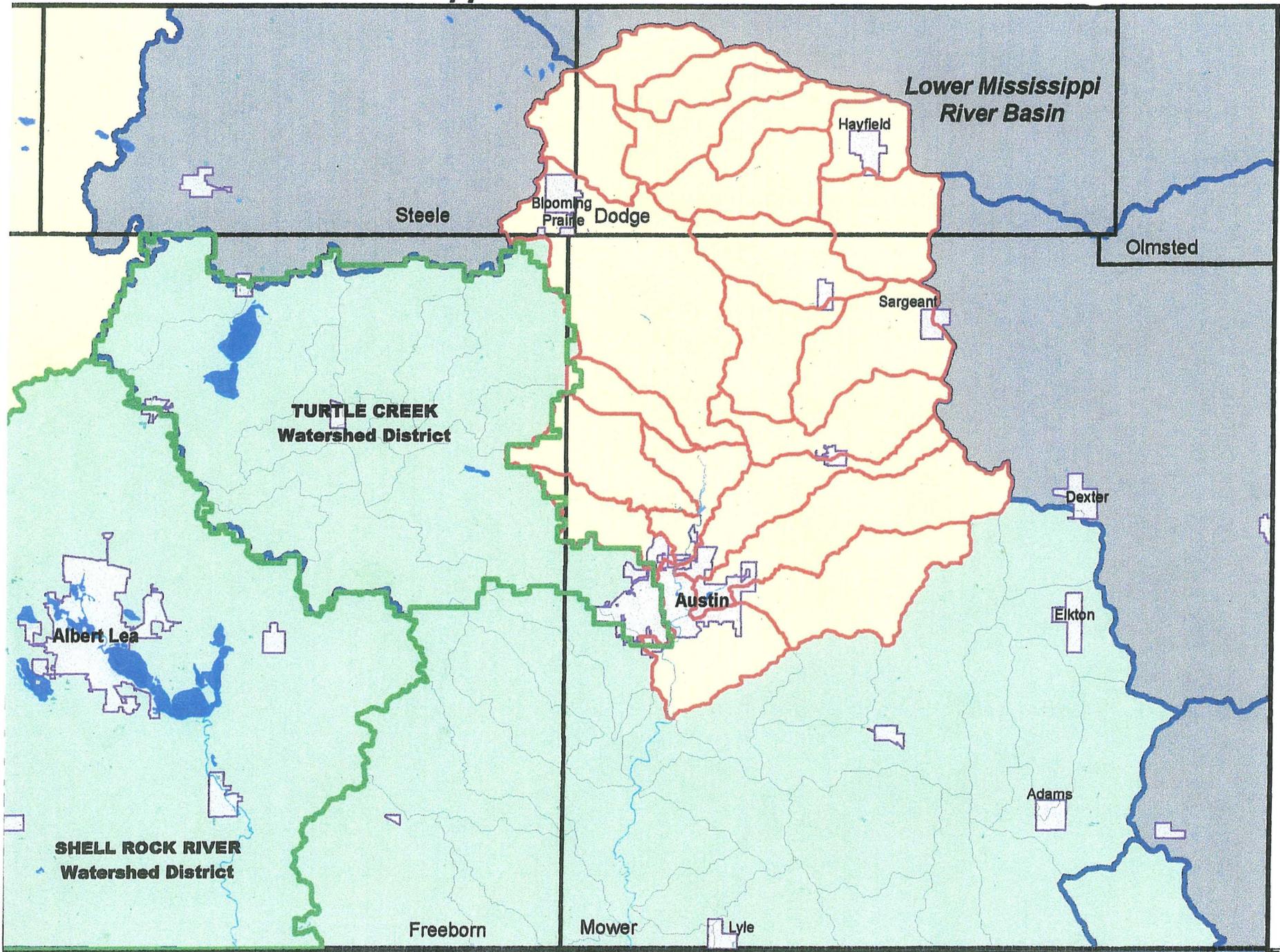
PROJECT	PROJECT DESCRIPTION	FEDERAL FUNDING	DNR BONDING	DEED BONDING	CITY OF AUSTIN SALES TAX	TOTAL
1) Wildwood Park	Residential Property Acquisition	\$1,660,975.00	\$275,000.00	\$200,000.00	\$75,000.00	\$2,210,975.00
2) North Main	Structural Protection of Property From 4th Avenue NE North to I-90 (Acquisition Included)		5,250,000.00		5,250,000.00	10,500,000.00
3) Railroad Revitalization Project	Acquisition of Commercial Properties		1,045,884.00	465,000.00 (Block Grant) 405,884.00 (Bonding)	175,000.00	2,091,768.00
4) Scattered Site Acquisition	Acquisition of Commercial and Residential Property (Repetitive Loss Properties)		2,500,000.00		2,500,000.00	5,000,000.00
5) East Side Lake	Structural Mitigation Adjacent to 14th Street NE				150,000.00	150,000.00
6) Turtle Creek (Study to be completed in 2006)	Structural/Acquisition from I-90 to the Confluence of the City River		3,000,000.00		3,000,000.00	6,000,000.00
7) Dobbins Creek	Structural/Acquisition from 21st Street NE to I-90		500,000.00		500,000.00	1,000,000.00
8) Regional Mitigation	Development of Organizational Unit of Government to Manage Surface Water in the Upper Cedar River Watershed			(Funding to be determined)		
9) Stream Bank Protection	To Stabilize Stream Banks Throughout Austin to Protect Public Property (Rip Rap & Establishment of Native Cover)				\$500,000.00	\$500,000.00
	TOTAL	\$1,660,975.00	\$12,570,884.00	\$1,070,884.00	\$12,150,000.00	\$27,452,743.00

\* Funding is proposed and not committed. Project totals will require detailed project studies.

- ① Wildwood Park
- ② North Main Street
- ③ Railroad Revitalization Proj.
- ④ Scattered Site Acquisition
- ⑤ East Side Lake Wall
- ⑥ Turtle Creek
- ⑦ Dobbins Creek



# Upper Cedar River Watershed



## **RESOLUTION NO. 12918**

### **A RESOLUTION REQUESTING THE MINNESOTA LEGISLATURE TO ALLOW THE CITY OF AUSTIN TO SEEK VOTER APPROVAL ON A ½-CENT SALES TAX FOR FLOOD MITIGATION ACTIVITIES**

Whereas major flooding has occurred in Austin, Minnesota, in the Cedar River watershed, six times since 1978; and

Whereas, in response to said floods the City of Austin has purchased and removed over 250 homes from the flood plain since 1978, and has become a national leader in non-structural solutions resulting in being rated among the top 25 communities in the nation by the Federal Insurance Administration; and

Whereas the affects of ongoing flooding and the resulting property destruction and loss of life in Austin places flood mitigation efforts as the top priority of the Mayor and City Council; and

Whereas flooding in the Upper Cedar River Watershed is a regional problem encompassing areas in Mower, Freeborn, Dodge and Steele Counties; and

Whereas community support for the use of local option sales taxes for flood mitigation purposes was clear at the December 12, 2005 legislator-sponsored town hall meeting; and

Whereas the City of Austin is committed to a comprehensive plan which identifies: specific capital projects to mitigate our community's ongoing flooding problems, significant need for federal and state financial assistance, and a local option sales tax as a stable source of local matching funds; and

Whereas a local option sales tax for capital projects with a regional benefit is a very reliable source of revenue estimated at \$700,000 per year; and

Whereas it would take a 24% increase in the city property tax rate to provide the same revenue as a ½-cent optional sales tax; and

Whereas city property tax revenues have increased 35% from 2003 to 2006 largely due to reductions in local government aid, making such significant increases for flood projects an unacceptable burden to property tax payers; and

Whereas one flood mitigation project, estimated to cost \$10.5 million in yet-to-be-secured local, state and federal funds, involves flood mitigation along the commercial corridor from I-90 to the 4<sup>th</sup> Avenue dam near City Hall in Austin; and

Whereas local option sales tax revenues, which must be spent only on specifically identified flood mitigation projects, may not be deferred to address other budget problems as can be done with other local funding sources; and

Whereas the Legislature recognizes the use of local option sales taxes for flood control/water quality purposes and have approved such uses in the neighboring cities of Rochester and Albert Lea; and

Whereas Austin City officials should be allowed to request voter approval of a ½-cent sales tax to contribute to the local share of flood mitigation efforts;

Now Therefore Be It Resolved that the Minnesota Legislature is hereby requested to give legislative approval for the City of Austin to place a ½ cent sales tax question regarding flood mitigation projects on a general election ballot.

Be It Further Resolved that said Austin local option sales tax:

- Shall be set at a 0.50 % rate;
- Shall be utilized for capital flood mitigation projects;
- Shall be set to expire twenty years after its inception; and
- Is estimated to produce \$14,000,000 in total revenues over said period (unadjusted for inflation);

Approved by the Austin City Council this 21<sup>st</sup> day of February, 2006.

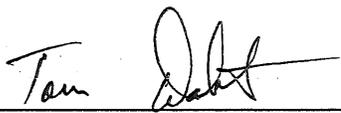
YEAS 7

NAYS 0

APPROVED:

  
\_\_\_\_\_  
Mayor

ATTEST:

  
\_\_\_\_\_  
City Recorder



329 North Main, Suite 102 Austin, MN 55912  
(507) 437-4561 - Fax 437-4869  
e-mail: [execdir@austincoc.com](mailto:execdir@austincoc.com)

Friday, February 17, 2006

Mayor Bonnie Rietz  
Members of the City Council  
City of Austin

Mayor Rietz and Members of the Council:

For over a year now, the Austin Area Chamber of Commerce has encouraged the council to take necessary steps to advance flood mitigation efforts within the City of Austin. The council has taken that initiative, and has developed a plan to better protect our community from the devastating floods that have plagued us in the past. We congratulate you on your efforts, and pledge our support as you move this project forward from conception to construction.

We understand that the council will consider a resolution at its February 21 meeting to seek legislative and voter approval for a one-half cent, local option sales tax to fund the City's share of the planned project. At our own February 15 meeting, the Chamber Board of Directors voted to support that resolution for a sales tax as well as your plans to secure state and federal assistance to complete the project. The Chamber's support is based on the understanding that all revenues raised through a sales tax will be used exclusively for flood mitigation projects, and that the tax will "sunset" once those projects have been paid.

Our members do not take tax increases lightly; fully realizing higher taxes have a negative impact on their business. However, in this case, the vast majority feel the risk of doing nothing poses a much greater threat to our area's economy. The Board believes the cost of flood mitigation, while high, is a necessary investment in our community's future.

Thank you for listening to the concerns of the members of the Austin Area Chamber of Commerce, and for taking action that will lead to a more stable economy and better community.

Sincerely yours,

A handwritten signature in cursive script that reads "Sandy Forstner".

Sandy Forstner, executive director,  
on behalf of the Board of Directors

*Joe C. Swedberg*  
Vice President  
Legislative Affairs &  
Marketing Services

---

March 16, 2006

*Hormel Foods Corporation*  
1 Hormel Place  
Austin MN 55912-3680  
Phone 507 437 5640  
Fax 507 437 5135  
E-mail: [jcswedberg@hormel.com](mailto:jcswedberg@hormel.com)

MINNESOTA LEGISLATURE

RE: Austin Region Flood Mitigation

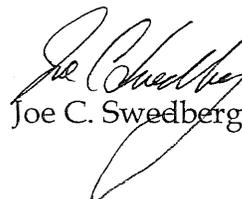
Hormel Foods Corporation supports the comprehensive, long-term flood plans for Austin and the surrounding region that have been brought before the 2006 Minnesota Legislature for funding. We urge the Minnesota Legislature to authorize the requested funding to immediately implement flood mitigation plans.

Austin, Minnesota has served as home for 114 years to Hormel Foods Corporation headquarters, our flagship plant, and 2,400 employees in the community. Hormel Foods Corporation is the only Fortune 500 company headquartered in out-state Minnesota.

Over the past ten years, Austin and the surrounding area have experienced four major floods, with the September 2004 flood inflicting damages in excess of \$12 million. The damage could have been even more devastating as flood waters came within inches of shutting down our Corporate Office South building, displacing 300 employees. The waters also threatened the closure of our flagship plant, and the Austin Water Treatment Plant which would have shut the entire community down for several weeks, causing businesses and schools to close indefinitely. The impact of shutting down the Hormel Foods flagship plant would have been in excess of \$630,000 per day, not to mention the \$3 million that goes to area producers every business day for hogs we purchase. Such an occurrence would have caused the disruption in delivery of key Hormel products to customers across the United States and around the world. As you can readily appreciate, any substantial business interruption to our Austin facilities has a substantial economic impact on our suppliers in Austin and in the surrounding communities.

We cannot afford to wait for another 100-year flood with a record of four in the past ten years. Armed with funding from the State of Minnesota and the federal government, a practical long-term flood mitigation plan will be implemented that will far outweigh the initial investment, and provide added economic confidence for the region.

We wholly support the recommendations made in the flood control plan. Thank you for your consideration of this important issue.

  
Joe C. Swedberg

received  
# 3-8-06

# Austin Medical Center

Mayo Health System

March 8, 2006

Bonnie B. Rietz, Mayor  
City of Austin  
500 Fourth Avenue NE  
Austin, MN 55912

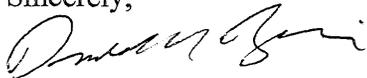
Dear Mayor Rietz:

Austin Medical Center appreciates your work and that of the City Council and Jon Erickson in developing a flood control plan for Austin.

The flood plan has a direct impact on future services of Austin Medical Center patients. In the past flood, the sewage lift station did not function and fortunately the City Engineer brought us a pump, but the sewage needed to be pumped into the river. Our electrical feed station was under water and we lost power for a period of time. Our ability to maintain services is definitely vulnerable should we have another flood. There are 6,000 patient visits per week and a staff of 900 that would be affected. Care to Hospice and Home Care patients would also again be affected.

We support the recommendations in the flood control plan. If you have any questions, please contact me.

Sincerely,



Donald R. Brezicka  
Executive Vice President

DRB/jr



March 6, 2006

Mr. Jon Erichson  
City Engineer  
City of Austin

Austin, MN 55912

Dear Jon,

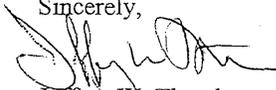
Thanks for taking the time last week to review the City of Austin's flood control program in detail with Austin Packaging Company (APC). As the owners of APC we fully support the proposed local sales tax and the flood control program.

Jon, as you know, APC is 8 years old and currently employees 275 people. We have enjoyed wonderful growth and success while adding a \$7,000,000 payroll to the city of Austin. Due to the combined losses of over \$4,300,000 from the last two floods we currently are unable to get excess flood insurance. The proposed flood control program is key to our ability to get affordable insurance in the future.

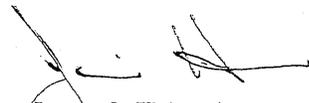
As we have discussed, APC's future success, the financial viability and our future expandability are contingent upon Austin's ability to control future flooding. If the flood program does not move forward APC will be forced to look at cites outside of Austin, and outside of Minnesota, to ensure our companies viability.

It is imperative to our business that flood mitigation is implemented in Austin immediately. The next flood will decimate our business and render the building we occupy worthless.

Sincerely,



Jeffrey W. Thatcher



James G. Heimark



Candace F. Raskin, Ed.D. • Superintendent of Schools

Austin Public Schools • 401 Third Avenue NW • Austin, Minnesota 55912

March 21, 2006

#### MINNESOTA LEGISLATURE

The Austin Public School District supports the comprehensive, long-term flood plans for Austin and the surrounding region. We urge the Minnesota Legislature to authorize the requested funding so that immediate steps can be taken to implement flood mitigation plans.

Austin and the surrounding area have experienced four major floods over the past ten years with the flood of September 2004 still fresh in our memories. Our District knows first hand the devastation the flood of September 2004 caused businesses, homes, families and our children.

The Austin community understands the immediate need to move forward with the implementation of flood mitigation plans and the community is ready to help fund this effort through a sales tax. We ask the Minnesota Legislative to authorize the requested funding so Austin can move forward in implementing the flood mitigation plans.

Sincerely,

A handwritten signature in cursive script that reads "Candace F. Raskin".

Candace F. Raskin Ed.D.  
Superintendent

**Baldus  
Properties LLC**

111 11<sup>th</sup> Ave. N. E.  
Austin, MN 55912  
507 437 2074  
wbaldus@yahoo.com

**received**  
3-7-06

March 3, 2006

Mayor Bonnie Rietz  
500 NE 4<sup>th</sup> Ave.  
Austin, MN 55912

RE: Support of local sales tax for flood mitigation.

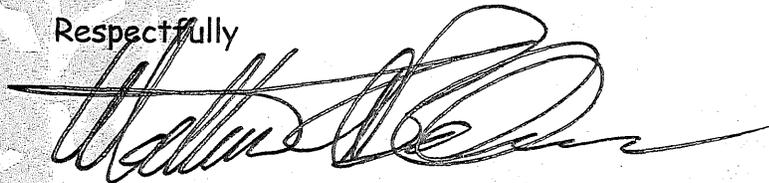
Dear Mayor:

I am writing in support of a local referendum to allow a 1/2-cent local sales tax for flood mitigation. As you may be aware I own an office complex on the North End of Main St. which has been lucky enough to escape flooding during prior floods, but which took 18 inches of water during the last flood.

Although I received moral and emotional support from city officials, and citizens of Austin I did not receive, or have access to any financial assistance. Thankfully, with flood insurance I was able to restore the property for the tenants. Unfortunately I have about 2000 square feet of office space I have been unable to rent because of the looming danger of another flood in the area.

This corner of the city, with the Spam Museum, Johnny's, Jerry's, the Savory Skillet and the other businesses in the area bring a vibrant dynamic to the image of Austin as a community. I believe we also contribute to the financial strength of the city. Providing the security of flood protection would maintain the vitality of the area, and the community.

Respectfully



Walter A. Baldus

**SAMPLE OF BUSINESSES AFFECTED BY AUSTIN FLOODING  
THAT HAVE INDICATED SUPPORT FOR 0.5 % SALES TAX**

Lakeside Properties LLC/Jim's Super Valu

Austin Medical Center (Mayo)

Anderson Radiator Service

Nicol's Fast Lube and Car Wash

Hanson Tire – auto mechanic

Double K Specialties – pet supply store

Austin Convention & Visitors Bureau

Jerry's Other Place – restaurant

Hormel Foods Corporation

Austin Packaging Company

Baldus Properties LLC – property management

Johnny's Main Event – restaurant

Golden Tress – full beauty salon

Community Bank

The Cedars of Austin – assisted living

S. F. 3423  
XXXX - Rudd  
Breezy Point sales tax.

1.1 A bill for an act  
1.2 relating to taxation; authorizing the city of Breezy Point to impose sales and use  
1.3 and motor vehicle excise taxes and issue general obligation bonds.

1.4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.5 Section 1. CITY OF BREEZY POINT; TAXES AUTHORIZED.

1.6 Subdivision 1. Sales and use tax authorized. Notwithstanding Minnesota Statutes,  
1.7 section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to  
1.8 the approval of the voters at the general election on November 7, 2006, and pursuant to  
1.9 Minnesota Statutes, section 297A.99, the city of Breezy Point may impose by ordinance  
1.10 a sales and use tax of one-half of one percent for the purposes specified in subdivision  
1.11 3. The provisions of Minnesota Statutes, section 297A.99, govern the imposition,  
1.12 administration, collection, and enforcement of the tax authorized under this subdivision.

1.13 Subd. 2. Excise tax authorized. Notwithstanding Minnesota Statutes, section  
1.14 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of  
1.15 Breezy Point may impose by ordinance, for the purposes specified in subdivision 3, an  
1.16 excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired  
1.17 from any person engaged within the city of Breezy Point in the business of selling motor  
1.18 vehicles at retail.

1.19 Subd. 3. Use of revenues. Revenues received from the taxes authorized by  
1.20 subdivisions 1 and 2 must be used to pay the cost of collecting and administering the  
1.21 tax and to finance sanitary sewer, <sup>and</sup> storm sewer, ~~street infrastructure, and public safety~~  
1.22 improvements as approved by the voters at the referendum authorizing the tax. Authorized  
1.23 costs include, but are not limited to, acquiring property and paying construction and  
1.24 engineering costs related to the projects.

2.1            Subd. 4. Bonds. The city of Breezy Point, pursuant to the approval of the voters at  
2.2 the referendum authorizing the imposition of the taxes in this section, may issue general  
2.3 obligation bonds of the city, in one or more series, in the aggregate principal amount not to  
2.4 exceed \$11,000,000 to finance the projects listed in subdivision 3. The debt represented  
2.5 by the bonds is not included in computing any debt limitations applicable to the city, and  
2.6 the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of  
2.7 and interest on the bonds is not subject to any levy limitation or included in computing or  
2.8 applying any levy limitation applicable to the city.

2.9            Subd. 5. Termination of taxes. The taxes imposed under subdivisions 1 and 2  
2.10 expire 15 years after the imposition of the tax or when the Breezy Point City Council  
2.11 first determines that the amount of revenues raised from the taxes to pay for the projects  
2.12 equals or exceeds \$11,000,000 plus any interest on bonds issued for the projects under  
2.13 subdivision 3, whichever is earlier. Any funds remaining after the expiration of the taxes  
2.14 and retirement of the bonds may be placed in the general fund or in a capital project fund  
2.15 of the city of Breezy Point. The taxes imposed under subdivisions 1 and 2 may expire  
2.16 at an earlier time if the city so determines by ordinance.

2.17            EFFECTIVE DATE. This section is effective the day after compliance by the  
2.18 governing body of the city of Breezy Point with Minnesota Statutes, section 645.021,  
2.19 subdivision 3.

**Senate Counsel, Research,  
and Fiscal Analysis**

G-17 STATE CAPITOL  
75 REV. DR. MARTIN LUTHER KING, JR. BLVD.  
ST. PAUL, MN 55155-1606  
(651) 296-4791  
FAX: (651) 296-7747  
JO ANNE ZOFF SELLNER  
DIRECTOR

# Senate

State of Minnesota

3423  
**S.F. No. XXXXX - Local Sales and Use Tax for the City of  
Breezy Point**

**Author:** Senator Carrie Ruud

**Prepared by:** Michelle Allen, Senate Counsel (651/296-0558)

**Date:** March 20, 2006

---

This bill authorizes the city of Breezy Point to impose a sales and use tax of up to one-half of one percent to pay for improvements of sanitary sewer, storm sewer, street infrastructure, and public safety. The sales tax is subject to approval by the voters at the next general election. The city is also authorized to impose an excise tax of up to \$20 per motor vehicle purchased from a person engaged in the business of selling motor vehicles at retail within the city. If the voters approve the imposition of the tax, the city is authorized to issue up to \$11,000,000 in bonds to pay for the costs of the projects. The debt is not included in the municipal debt limitation and any levy of taxes to pay the debt service is not subject to any levy limitation. The tax will expire at the earlier of 15 years or when the city council determines that sufficient funds have been received to pay for the projects and the costs related to the issuance of the bonds.

MJA:dv

# MINNESOTA - REVENUE

## LOCAL SALES AND USE TAX

### Breezy Point

March 20, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue  
Analysis of a Proposal for a Breezy Point City Sales Tax

The proposal authorizes the city of Breezy Point to impose a general sales and use tax of 0.5% and an excise tax of \$20 per motor vehicle sold by dealers in the city.

The bill would have no impact on any state fund. Revenue from the proposed tax would go to the city of Breezy Point for the purposes specified in the bill.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)

Breezy Point sales tax\_1 / tfe

Senator Ruud introduced—

S.F. No. 2860: Referred to the Committee on Taxes.

1.1 A bill for an act  
1.2 relating to the city of Pequot Lakes; allowing the city to impose a local sales  
1.3 and use tax.

1.4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.5 Section 1. CITY OF PEQUOT LAKES; TAXES AUTHORIZED.

1.6 Subdivision 1. Sales and use tax authorized. Notwithstanding Minnesota Statutes,  
1.7 section 477A.016, or any other provision of law, ordinance, or city charter, the city of  
1.8 Pequot Lakes may impose, by ordinance, a sales and use tax of one-half of one percent for  
1.9 the purposes specified in subdivision 2 if:

1.10 (1) the tax is approved by the voters pursuant to Minnesota Statutes, section  
1.11 297A.99; and

1.12 (2) the cities of Brainerd, Baxter, and Nisswa also share the costs of the  
1.13 improvements specified in subdivision 2.

1.14 The provisions of Minnesota Statutes, section 297A.99, govern the imposition,  
1.15 administration, collection, and enforcement of the taxes authorized under this subdivision.

1.16 Subd. 2. Use of revenues. Revenues received from the tax authorized by  
1.17 subdivision 1 must be used to pay all or part of the capital costs of the city's share of the  
1.18 marked Trunk Highway 371 north improvement project.

1.19 The total amount of revenues from the tax in subdivision 1 that may be used to fund  
1.20 this project is \$5,000,000 plus any associated bond costs.

1.21 Subd. 3. Bonds. (a) If approved by voters pursuant to Minnesota Statutes, section  
1.22 297A.99, the city of Pequot Lakes may issue bonds under Minnesota Statutes, chapter  
1.23 475, to pay capital and administrative expenses for the projects described in subdivision 2,

2.1 in an amount that does not exceed \$5,000,000. A separate election to approve the bonds  
2.2 under Minnesota Statutes, section 475.58, is not required.

2.3 (b) The debt represented by the bonds is not included in computing any debt  
2.4 limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section  
2.5 475.61, to pay principal and interest on the bonds is not subject to any levy limitation.

2.6 Subd. 4. Termination of taxes. The tax imposed under subdivision 1 expires when  
2.7 the city council determines that the amount of revenues received from the taxes to pay for  
2.8 the project under subdivision 2, first equals or exceeds the amount authorized to be spent  
2.9 for the project, plus the additional amount needed to pay the costs related to issuance of  
2.10 the bonds under subdivision 3, including interest on the bonds. Any funds remaining after  
2.11 completion of the projects and retirement or redemption of the bonds must be placed in  
2.12 the general fund of the city. The tax imposed under this section may expire at an earlier  
2.13 time if the city so determines by ordinance.

2.14 EFFECTIVE DATE. This section is effective the day after compliance by the  
2.15 governing body of the city of Pequot Lakes with Minnesota Statutes, section 645.021,  
2.16 subdivision 3.

Adopted 03/22/06

1.1 Senator ..... moves to amend S.F. No. 2860 as follows:

1.2 Page 1, after line 15, insert:

1.3 "Subd. 2. Excise tax authorized. Notwithstanding Minnesota Statutes, section  
1.4 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of  
1.5 Pequot Lakes may impose by ordinance, for the purposes specified in subdivision 3, an  
1.6 excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired  
1.7 from any person engaged within the city of Pequot Lakes in the business of selling motor  
1.8 vehicles at retail."

1.9 Page 1, line 16, delete "2" and insert "3"

1.10 Page 1, line 21, delete "3" and insert "4"

1.11 Page 2, line 6, delete "4" and insert "5"

1.12 Amend the title accordingly

**Senate Counsel, Research,  
and Fiscal Analysis**

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JO ANNE ZOFF SELLNER  
DIRECTOR

# Senate

State of Minnesota

## **S.F. No. 2860 - Local Sales and Use Tax for the City of Pequot Lakes**

**Author:** Senator Carrie Ruud

**Prepared by:** Michelle Allen, Senate Counsel (651/296-0558)

**Date:** March 20, 2006

---

This bill authorizes the city of Pequot Lakes to impose a sales and use tax of up to one-half of one percent to pay for the city's share of the Trunk Highway 371 North improvement project. The sales tax is subject to approval by the voters at the next general election and the sharing of costs of the project by the cities of Brainerd, Baxter, and Nisswa. If the voters approve the imposition of the tax, then the city is authorized to issue up to \$5,000,000 in bonds without a separate election. The debt is not included in the municipal debt limitation and any levy of taxes to pay the debt service is not subject to any levy limitation. The tax will expire when the city council determines that sufficient funds have been received to pay for the projects and the costs related to the issuance of the bonds.

MJA:dv

# MINNESOTA REVENUE

## LOCAL SALES AND USE TAX Pequot Lakes

March 17, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue  
Analysis of S.F. 2860 (Ruud) / H.F. 3311 (Gazelka)

The bill authorizes the city of Pequot Lakes to impose a general sales and use tax of 0.5%.

The bill would have no impact on any state fund. Revenue from the proposed tax would go to the city of Pequot Lakes in the manner and for the purposes specified in the bill.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)

sf2860(hf3311)\_1 / tfe

Senator Hottinger introduced-

S.F. No. 3010: Referred to the Committee on Taxes.

A bill for an act relating to the city of North Mankato; allowing the city to impose a local sales and use tax.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. CITY OF NORTH MANKATO; TAXES AUTHORIZED.

Subdivision 1. Sales and use tax authorized. Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters pursuant to Minnesota Statutes, section 297A.99, the city of North Mankato may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the taxes authorized under this subdivision.

Subd. 2. Use of revenues. Revenues received from the tax authorized by subdivision 1 must be used to pay all or part of the capital costs of the following projects:

- (1) the local share of the marked Trunk Highway 14/County State-Aid Highway 41 interchange project;
- (2) development of regional parks and hiking and biking trails;
- ~~(3) expansion of the North Mankato Taylor Library;~~
- (4) redevelopment of the city's central business district; and
- (5) lake improvement projects.

The total amount of revenues from the tax in subdivision 1 that may be used to fund these projects is \$6,000,000 plus any associated bond costs.

Subd. 3. Bonds. (a) The city of North Mankato, if approved by voters pursuant to Minnesota Statutes, section 297A.99, may issue bonds under Minnesota Statutes, chapter

2.1 475, to pay capital and administrative expenses for the projects described in subdivision 2,  
2.2 in an amount that does not exceed \$6,000,000. A separate election to approve the bonds  
2.3 under Minnesota Statutes, section 475.58, is not required.

2.4 (b) The debt represented by the bonds is not included in computing any debt  
2.5 limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section  
2.6 475.61, to pay principal and interest on the bonds is not subject to any levy limitation.

2.7 Subd. 4. Termination of taxes. The tax imposed under subdivision 1 expires at the  
2.8 later of (1) 15 years, or (2) when the city council determines that the amount of revenues  
2.9 received from the taxes to pay for the projects under subdivision 2 first equals or exceeds  
2.10 the amount authorized to be spent for each project plus the additional amount needed to  
2.11 pay the costs related to issuance of the bonds under subdivision 3, including interest  
2.12 on the bonds. Any funds remaining after completion of the projects and retirement or  
2.13 redemption of the bonds shall be placed in a capital facilities and equipment replacement  
2.14 fund of the city. The tax imposed under section 1 may expire at an earlier time if the  
2.15 city so determines by ordinance.

2.16 **EFFECTIVE DATE.** This section is effective the day after compliance by the  
2.17 governing body of the city of North Mankato with Minnesota Statutes, section 645.021,  
2.18 subdivision 3.

**Senate Counsel, Research,  
and Fiscal Analysis**

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JO ANNE ZOFF SELLNER  
DIRECTOR

# Senate

State of Minnesota

## **S.F. No. 3010 - Local Sales and Use Tax for the City of North Mankato**

**Author:** Senator John Hottinger

**Prepared by:** Michelle Allen, Senate Counsel (651/296-3803)

**Date:** March 20, 2006

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This bill authorizes the city of North Mankato, with voter approval, to impose a sales and use tax of up to one-half of one percent to pay for the following: (1) the local share of the Trunk Highway/Highway 41 interchange; (2) development of parks and trails; (3) expansion of the North Mankato Taylor library; (4) redevelopment of the central business district; and (5) lake improvement projects. The bill also authorizes the city to issue up to \$6,000,000 in bonds without an additional referendum. The debt is not included in the municipal debt limitation, and any levy of taxes to pay the debt service is not subject to any levy limitation. The tax will expire at the end of 15 years or when the city council determines that the revenue from the taxes is sufficient to pay for the costs of the projects financed by this tax and the costs related to the issuance of the bonds.

MJA:dv

# MINNESOTA - REVENUE

## LOCAL SALES AND TAX North Mankato

March 20, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue  
Analysis of H.F. 3122 (Dorn) / S.F. 3010 (Hottinger)

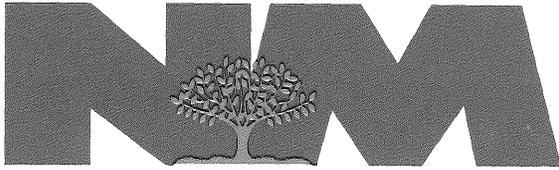
The proposal authorizes the city of North Mankato to impose a general sales and use tax of 0.5%.

The bill would have no impact on any state fund. Proceeds from the tax would go to the city of North Mankato for the purposes specified in the bill.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)

hf3122(sf3010)\_1 / tfe

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CITY OF NORTH MANKATO

CITY OF NORTH MANKATO  
LOCAL OPTION SALES TAX  
S.F. 3010 HOTTINGER  
H.F. 3122 JOHNSON, R., DORN

The City of North Mankato is requesting authority for ½ cent local option sales tax subject to a referendum to be held in November of 2006.

The City of North Mankato proposes to use the proceeds from said tax as follows:

- 1) The local share of the T.H. 14/CSAH 41 interchange project. This project is the first phase of a project that would extend the four-lane portion of T.H. 14 to New Ulm. The project will provide important trail connections to the Judson Bottom Road scenic byway along the Minnesota River and to the Nicollet County Park at Minnemishinona Falls. The project will connect to already existing trails within the City of North Mankato, the City of Mankato and the Sakatah State Trail. Construction of the interchange will provide a vital link to the future expansion of North Port Industrial Park.
- 2) Expand the capacity of Caswell Park, Benson Park and Spring Lake Park to host State, Regional and National sports tournaments, as well as other large group gatherings. Caswell Park is nationally known and was host last year to the North American Fastpitch Association World Series Tournament. With the planned addition of a Miracle League diamond and other facilities, we expect to host a number of additional events, both regional and national.
- 3) Expansion of library and bookmobile service in the two-county area. A portion of the proceeds would be used to expand the existing Taylor Library and to enhance bookmobile service in the area.
- 4) Downtown Redevelopment. A portion of the proceeds would be used to assist redevelopment of the Central Business District in conjunction with similar efforts going on in the City of Mankato. Downtown revitalization is one of the focuses of the Envision 2020 planning effort to provide a long-term vision for the two communities.
- 5) Lake Improvement Projects. The City is in the process of dredging Spring Lake to restore water quality and provide storm water detention in the area. The park is host to many of the large group functions that take place in the area and the available funds will provide for needed upgrades to the park including creating an urban fishery.

We believe these projects will have the support of North Mankato voters and we look forward to placing the question on the November 2006 ballot.



Senator Cohen introduced--

S.F. No. 2208: Referred to the Committee on Taxes.

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A bill for an act

relating to taxation; income tax; providing a film production tax credit; appropriating money; amending Minnesota Statutes 2004, section 290.06, by adding a subdivision.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision to read:

Subd. 32. [FILM PRODUCTION CREDIT.] (a) A taxpayer is allowed a credit against the taxes due under this chapter equal to 15 percent of film production expenditures made in Minnesota that are directly attributable to film production in Minnesota.

(b) Expenditures that qualify for the credit under this subdivision must be subject to taxation in Minnesota and include:

(1) payment of wages, fringe benefits, or fees for talent, management, or labor to a person who is a Minnesota resident for purposes of this chapter;

(2) payment to personal services corporations for the services of a performing artist, if the performing artist receiving payments from the personal services corporation pays Minnesota income tax; and

(3) any of the following provided by a vendor:

(i) the story and scenario to be used for a film;

(ii) set construction and operations, wardrobe, accessories, and related services;

1 (iii) photography, sound synchronization, lighting, and  
2 related services;

3 (iv) editing and related services;

4 (v) rental of facilities and equipment;

5 (vi) leasing of vehicles; and

6 (vii) food and lodging.

7 (c) If the amount of the credit under this subdivision  
8 exceeds the taxpayer's tax liability under this chapter for the  
9 taxable year, the amount of the excess must be refunded to the  
10 taxpayer. The amount necessary to pay the refunds is  
11 appropriated annually from the general fund to the commissioner  
12 of revenue.

13 [EFFECTIVE DATE.] This section is effective for taxable  
14 years beginning after December 31, 2004.

*adopted*

1.1 Senator ..... moves to amend S.F. No. 2208 as follows:

1.2 Page 1, line 12, after the period, insert "For purposes of this subdivision, "film"  
1.3 means a movie, television show, documentary, music video, or television commercial,  
1.4 whether on film or video; and "film production" means all the activities related to (i) the  
1.5 preparation for shooting, (ii) the shooting, including processing, and (iii) the editing and  
1.6 finishing of a film. For purposes of this subdivision, the following is not a "film:"

1.7 (1) news, current events, or public programming or a program that includes weather  
1.8 or market reports;

1.9 (2) a talk show;

1.10 (3) a production with respect to a questionnaire or contest;

1.11 (4) a sports event or sports activity;

1.12 (5) a gala presentation or awards show;

1.13 (6) a finished production that solicits funds; or

1.14 (7) a production for which the production company is required under United States  
1.15 Code, title 18, section 2257, to maintain records with respect to a performer portrayed in  
1.16 a single media or multimedia program."

1.17 Page 2, line 14, delete "2004" and insert "2005"

**Senate Counsel, Research,  
and Fiscal Analysis**

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DIRECTOR

# Senate

State of Minnesota

## **S.F. No. 2208 - Film Production Tax Credit**

**Author:** Senator Richard Cohen

**Prepared by:** Michelle Allen, Senate Counsel (651/296-0558)

**Date:** March 20, 2006

---

This bill provides for a refundable income tax credit of 15 percent of film production expenditures made in Minnesota that are subject to taxation in Minnesota. Expenditures include:

- (1) payment of wages, fringe benefits, or fees for talent, management, or labor to Minnesota residents;
- (2) payments to personal services corporation for the services of a performing artist who pays Minnesota income tax; and
- (3) any of the following provided by a vendor:
  - (i) the story and scenario to be used for a film;
  - (ii) set construction and operations, wardrobe, accessories, and related services;
  - (iii) photography, sound synchronization, lighting and related services;
  - (iv) editing and related services;
  - (v) rental of facilities and equipment;
  - (vi) leasing of vehicles; and
  - (vii) food and lodging.

# MINNESOTA • REVENUE

## INDIVIDUAL INCOME TAX CORPORATE FRANCHISE TAX Film Production Tax Credit

March 21, 2006

### *Preliminary Analysis*

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue  
Analysis of S. F. 2208 (Cohen) / H.F. 3226 (Charron)

	<b>Fund Impact</b>			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
			(000's)	
General Fund	\$0	(\$3,100)	(\$3,200)	(\$3,400)

Assumed effective beginning with tax year 2006.

### **EXPLANATION OF THE BILL**

The bill would provide a refundable credit against the individual income and corporate franchise taxes of 15% of specified taxable film production expenditures made in Minnesota.

**Note:** The term "film" is not defined in the bill. The estimates in this analysis assume that "film" would be defined as motion pictures, including feature films, shorts, and documentaries for commercial distribution. The estimates would change if the term is defined differently.

### **REVENUE ANALYSIS DETAIL**

- The estimate was based on the 1997 Economic Census, motion picture and video production, (industry code 51211), Minnesota report.
- Receipts for contract production, teleproduction, and postproduction services were \$52.311 million. This amount was increased by 15% to include nonemployer service providers and other providers not included in code 51211. That amount was increased by 15% to include equipment rentals.
- Of this amount, it was assumed that 33% represented expenditures on films qualifying under the assumed definition.
- It was estimated that 75% of the expenditures would qualify for the proposed credit,
- Annual growth through 2001 was based on the historical and projected change in consumption of nondurable goods according to Global Insight, Inc., February 2006.
- Growth was held constant past 2001 because feature film production in Minnesota has slackened in recent years; however, growth of 5% per year was assumed beginning in 2007 in response to the incentives in the bill.
- Tax year impact was allocated to the following fiscal year.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)



## MINNESOTA FILM & TV BOARD

### THE CASE FOR A PRODUCTION TAX CREDIT

#### BACKGROUND

The Minnesota Film and TV Board (MFTVB) was established in 1981 by a Governor's Advisory Task Force. It's a non-profit professional service organization designated by the State of Minnesota to develop the state's moving image industry as a force for economic growth. MFTVB is the only state film commission that is a non-profit organization and a true public/private partnership, with its annual state appropriation matched by private contributions.

The 80's and 90's were boom years for home grown and Hollywood feature production in our state. Minnesota filmography in the 80s includes *Purple Rain*, *Patti Rocks* and *Far North* to name a few. In the 90s, 68 features were shot here, including *The Mighty Ducks* franchise, *Grumpy Old Men* and *Grumpier Old Men*, *Fargo*, *Simple Plan*, *Jingle All the Way* and *Funkytown*.

By 1997, when Minnesota became the first state in the US to offer a production incentive, the economics of the film industry were changing. Articles began appearing in production trade magazines about 'runaway production', noting the growing trend of production dollars migrating to Canada, where production companies could take advantage of a national incentive program and favorable exchange rate to stretch their budgets.

Still, between 1997 and 2002 Minnesota's film jobs fund, known as "Snowbate" attracted \$58 million in production expenditures to the State (see attached table). The total amount rebated back to production companies during those years was just over \$2 million.

*Joe Somebody*, shot in 2001 and starring Tim Allen, was the last major studio feature to take advantage of Snowbate before it was eliminated and the last major studio feature to choose Minnesota as its primary location. *Joe Somebody* spent \$3.2 million in Minnesota, and was reimbursed \$160,000 through Snowbate.

## THE SITUATION TODAY

The elimination of Snowbate has meant a loss of jobs and revenue for Minnesota. A number of studio features planning to shoot here withdrew after Snowbate was eliminated, including *Paul Bunyan*, *Bro*, *Sorry Baby*, and *Miracle*. The TV series *Little House on the Prairie* was also lost. Total revenue loss to the state for those projects alone totals more than \$65 million.

In the last six months since I took the reins at the Film and TV Board, we have lost out on opportunities for two Warners Bros. pictures. A third feature, called *Juno*, written by a Minnesotan who lives in Robbinsdale, will most likely shoot in Illinois, even though the story is set here. Illinois has a production incentive program that allows the production company, Mandate Pictures, to save money that they can put on the screen. Despite a successful scout here, *Juno* will probably not be made in Minnesota.

What the Minnesota Film and TV Board and Shoot in Minnesota are asking for is a tax incentive program so that we can once again be a competitor in the locations marketplace for feature films and television series. We have the crew base, talent, locations, equipment and infrastructure that studios shop for. But without an incentive program, we cannot even get a conversation started about the many assets our great State has to offer.

Once in a while feature films still get made in Minnesota. Often its because a local director or producer toughs it out to get the financing to do it here – as was the case with Ali Salim's movie *Sweet Land*, shot in Montevideo. Sometimes, it a matter of our having a unique location that's central to the story – a taconite mine comes to mind, as was the case with *North Country*, which had close to a \$3 million economic impact on the Iron Range. Sometimes it's a combination of local financing, a local story and a unique location that does the trick, as was the case with *Prairie Home Companion*, which had a \$1.6 million economic impact on the St. Paul area. As you're about to see, when films are made in Minnesota, good things happen.



## SNOWBATE RESULTS 1997- 2002

(For Feature Films, TV Movies, and National TV Series)

		FY1998	FY1999	FY2000	FY2001	FY2002	FYS1998-2002
\$ spent in MN that's eligible for the Snowbate	MN Crew	6,493,101	3,894,745	6,369,752	8,886,088	6,179,712	\$31,823,398
	MN Acting Talent	406,309	443,378	1,416,176	1,017,995	829,374	\$4,113,232
	Art Department	485,965	314,073	463,929	442,979	120,402	\$1,827,349
	Set Construction Costs	563,758	171,231	505,069	770,144	486,645	\$2,496,847
	Equipment Purchases/Rental	927,357	235,389	436,003	931,138	580,656	\$3,110,543
	Studio Rental/Location Fees	840,343	442,920	369,034	853,804	222,528	\$2,755,628
	Production Office Rental	283,069	154,616	220,497	479,155	271,921	\$1,409,258
	MN Transportation	223,940	159,096	85,656	97,139	45,807	\$611,638
	MN Post Production	111,763	43,260	792,601	1,145,930	987,707	\$3,081,262
	<b>Snowbate Expenditure Total</b>	<b>9,919,828</b>	<b>5,858,709</b>	<b>10,685,716</b>	<b>14,624,412</b>	<b>9,724,753</b>	<b>\$50,813,418</b>
	<b>Snowbate Reimbursement</b>	<b>359,045</b>	<b>285,606</b>	<b>475,000</b>	<b>475,154</b>	<b>475,000</b>	<b>\$2,069,805</b>
Other \$ spent in MN	Airline Expenditures	383,760	352,188	128,663	380,594	107,046	\$1,352,251
	MN Legal/Accounting Services	108,046	31,388	42,058	45,211	45,426	\$272,129
	MN Catering & Meals	338,268	166,223	327,510	343,054	74,293	\$1,249,348
	Hotel Expenditures	361,170	281,663	135,299	483,536	64,190	\$1,325,858
	MN Per Diem Expenditures	377,649	178,942	170,672	411,584	26,494	\$1,165,341
	Misc.	26,150	60,311	962,502	548,882	26,295	\$1,624,140
	<b>Total Spent in Minnesota</b>	<b>11,514,871</b>	<b>6,929,425</b>	<b>12,629,263</b>	<b>16,837,274</b>	<b>\$ 10,068,496</b>	<b>\$57,979,328</b>

The Snowbate is a program created by the Minnesota Film Board to stimulate more feature film and television series production in the state. The rebate is designed to give producers an incentive to shoot in Minnesota versus a competing market by returning a percentage (5% from 1997 to 2000; 10% in 2001-2002) of documented Minnesota production expenditures to them with a maximum rebate of \$ 100,000 per project.

Note: Each fiscal year runs from July 1 to June 30. For example, FY2002 was 7/1/01 to 6/30/02.



**Shoot In Minnesota** is a non-profit trade association dedicated to promoting, reinvigorating and advancing the growth of Minnesota's feature film, commercial and television production industry. We represent Minnesota's crew, talent, and producers and work in conjunction with the Minnesota Film & TV Board.

**Shoot In Minnesota** and **The Minnesota Film & TV Board** support SF2208 (Cohen) and HF3226 (Charron), an economic development tool to stimulate the industry and build the Minnesota workforce.

15% tax credit on production expenditures to Minnesota talent and workers including screenplays, photography, lodging, set construction and related services when taxes are paid in Minnesota

**Shoot In Minnesota** and **The Minnesota Film & TV Board** support:

- Extending the current sales tax exemption on commercials to movie production.
- Since Minnesota ceased to have incentives, the number of movies and television commercials made in Minnesota has dwindled from a steady stream in the 1990's to a mere trickle. Employment in the film industry has declined, and many crew members have had to find other means of livelihood.
- Minnesota is one of seven states that offer no incentives to the movie industry.
- The recent production *North Country*, which spent \$3,000,000 in Minnesota, mostly on the Iron Range, was only partially filmed here even though it is a Minnesota story. Another \$10,000,000 to 15,000,000 was spent in New Mexico, where the producers were able to take advantage of a competitive incentive package.
- Major Hollywood studios, as well as independent filmmakers, and commercial producers take their work and jobs to states such as Illinois, New Mexico and Louisiana that offer competitive incentives.
- Incentives are an economic development tool that produces immediate impact. Millions of dollars are spent on a variety of workers, vendors, and professionals. This impact is not limited to the film industry, but reverberates throughout entire communities, benefiting hotels, restaurants, car rental agencies, insurance companies, hardware and lumber suppliers, and other small and large Minnesota businesses.
- According to the Bureau of Labor Statistics, employment in the motion picture and video industries is projected to grow 31% between 2002 and 2012, double the projected 16% growth of all other industries combined.
- Minnesota *must* rebuild, grow and steward our film industry. It's a matter of jobs, good business and state pride. Movies like *Grumpy Old Men* and *Fargo*, have not only benefited our State's economy, but have imprinted a bit of Minnesota's soul and lore on our nation's collective psyche. Help us make Minnesota *the* premier location for film production in the United States.

Shoot In Minnesota  
1180 Lincoln Avenue  
St. Paul, Minnesota 55105

[www.shootinminnesota.org](http://www.shootinminnesota.org)

Tobias Shapiro  
Executive Director  
(651) 248-3809

## 44 states give incentives to film production

