

Improving Our Community Together.

City of Grand Rapids Local Sales Tax

The residents and businesses that make up our community are what makes Grand Rapids a great place to be—whether living here or running a business. To keep our City great, we need to invest in today and our future.

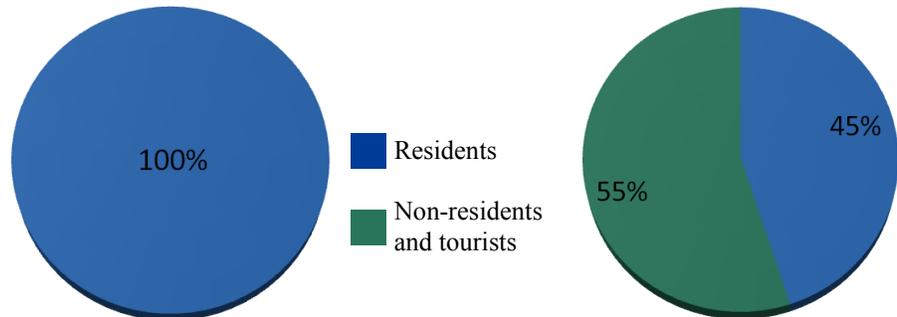
The City of Grand Rapids is proposing a one percent (1%) local sales tax to help fund improvement projects. We are asking that non-residents who utilize the infrastructure share in the cost of these projects. Why 1%? It's what's needed to pay for the streets.

The improvements identified in the five year Capital Improvement Plan must be made, and the City of Grand Rapids has just two options for funding these improvements—let it fall on the local residents and tax payers in the form of increased property taxes or bring in new money from outside the community from those who also use and benefit from the infrastructure.

Funding Methods

Current Funding Utilizing Property Taxes

Funding with a Local Sales Tax



When is the vote on the referendum?

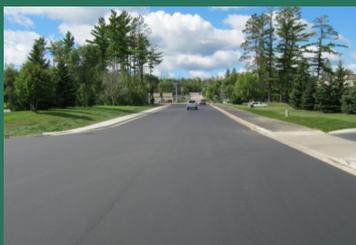
The vote on the local sales tax referendum will be on Tuesday, November 4, 2014. The referendum will be on the General Election ballot.

Where do I vote?

To vote on the local sales tax, go to your usual polling place. For more information on where your polling place is located, please contact City Hall at 218-326-7600.

What will appear on the ballot?

“Shall the City of Grand Rapids be authorized to impose a sales tax of 1% to finance the costs of improvements within the City’s five year Capital Improvement Plan for the years of 2016 through 2020?”



CITY OF
GRAND RAPIDS
IT'S IN MINNESOTA'S NATURE

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For additional information, please visit
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MN Department of Revenue
www.revenue.state.mn.us
salesuse.tax@state.mn.us
1.800.657.3777

City of Grand Rapids Local Sales Tax

What is a local sales tax?

Currently, the State of Minnesota levies a 6.875% tax on the purchase of certain products. The local option sales tax allows local communities to establish up to an additional one percent on these same products. The City of Grand Rapids is proposing a one percent (1%) local sales tax.

What other options have been examined?

The City's funding sources are currently limited to paying cash or bonding. Paying cash or bonding means increasing the City's levy which adds to property taxes and does not spread the burden to non-City residents.

What other cities have a local sales tax?

Grand Rapids is not the first city to bring a local sales tax to the voters. Cities that have passed a local sales tax referendum include:

Baxter	Fergus Falls
Bemidji	Hermantown
Brainerd	Marshall
Cloquet	New Ulm
Detroit Lakes	Two Harbors
Duluth	Willmar

If approved, money collected from a local sales tax can only be used for street reconstruction.

How long is the sales tax in effect?

If approved, the tax will be in effect until \$19,500,000 is collected or 5 years, whichever happens first.

Can the City change the tax rate after the voters approve the referendum?

No. Once the voters approve the 1% local sales tax, the rate cannot be adjusted.

What is the effect on homeowners by 2024?

Property Value	Property taxes without a local sales tax	Property taxes with a local sales tax
\$50,000	\$507	\$375
\$75,000	\$760	\$562
\$100,000	\$1,013	\$749
\$125,000	\$1,267	\$937
\$150,000	\$1,520	\$1,124
\$175,000	\$1,774	\$1,311
\$200,000	\$2,027	\$1,498

Why does the City of Grand Rapids need a local sales tax?

Funding from the local sales tax will be used to improve roads used by both residents and non-residents. In order to maintain streets at the levels that residents have come to expect, approximately three miles of streets need to be improved each year.

What are the benefits of a local sales tax in Grand Rapids?

55% of the tax will be contributed by non-residents.

The City of Grand Rapids will **save \$4 million** on interest on bonds.

The measure will result in a savings to residents by **reducing property taxes**.

The local sales tax will **eliminate future special assessments**.

What kinds of items are taxed?

Items that are not normally taxed at a state level, such as groceries, clothing, and prescriptions are not taxed under a local sales tax. Vehicle sales are also not subject to the tax, however vehicle leases, including short term leases are taxable.

What is the cost of a local sales tax to me?

A two-person household will see a cost of \$14 per month. That's less than the cost of two movie tickets.

What happens if the referendum doesn't pass?

Without a local sales tax, the City will need to adjust improvement projects in terms of priority, timing, and alternative funding sources. If the local sales tax is not passed, the burden of this funding will fall on residents and business owners in the forms of property taxes. The increased property tax will likely be passed on to the consumer or renter in the form of increased rents and prices of goods and services.

Who is responsible for the administration of the sales tax?

- The Minnesota Department of Revenue will handle automatic registration of vendors.
- The Minnesota Department of Revenue is responsible for educating vendors that are registered for state sales and use tax of their obligations to collect and remit additional local sales taxes.
- The Department of Revenue is also responsible for informing newly registered businesses of their tax obligations, including local sales taxes.

What is the timetable?

- The referendum is presented to voters on November 4, 2014
- If approved, the matter will be brought for approval to the State Legislature in the Spring of 2015
- If approved by the State, the local sales tax would go into effect on January 1, 2016

Items that are not normally taxed by the state are not subject to a local sales tax.

What is the effect on consumers?

Item	Current Cost	Additional New Tax
Medium latte	\$3.00	3 cents
Lunch and beverage	\$15.00	15 cents
Dinner for two	\$50.00	50 cents
Overnight stay	\$100.00	\$1.00
Digital camera	\$150.00	\$1.50

For additional information, including a complete list of Frequently Asked Questions, please visit the City of Grand Rapids' website at:
www.cityofgrandrapidsmn.com

