

FREQUENTLY ASKED QUESTIONS ABOUT THE ½ PERCENT LOCAL SALES TAX REFERENDUM

1. What is a local one-half percent sales tax?

The one-half percent local sales tax is a state authorized tax, approved by residents of a city, for funding certain well-defined community projects. In Worthington, the sales tax on taxable items would increase from 6.5% to 7%; with the local one-half percent being used to fund construction of a community center complex and for renovating Memorial Auditorium.

2. Will the local sales tax proposal be on the November 4, 2008, general election ballot?

Yes, Worthington's local tax proposal will be by referendum on the November 4, 2008, general election ballot. The referendum will be on the ballot as the City Question: "May the City of Worthington, Minnesota, impose by ordinance a sales and use tax of ½ of 1 percent for the exclusive purpose of paying the costs of a community center complex and for renovations to the Memorial Auditorium which tax shall terminate 10 years after the date of initial imposition of the tax or when the City Council determines that the amount of revenue received from the taxes to pay for the projects equals or exceeds \$6 million?"

3. What facilities would be constructed and renovated with local sales tax funds?

A Community Center Complex would be constructed and Memorial Auditorium would be renovated.

4. What are the advantages of funding projects through a local sales tax vs. property taxes?

Everyone in the community helps to pay for the projects, not just the property owners. Visitors and non-residents who shop in Worthington will also help pay for our facilities. Many visitors and non-residents use our facilities, so this is one way for them to help pay for them.

5. As a Worthington shopper, are there any estimates of how much the local sales tax would cost me per year?

The amount of local sales tax that a Worthington household would pay during one year would depend on individual spending patterns. Using the most recent sales tax data available from the Minnesota Department of Revenue, it is possible to estimate annual local sales tax payments for different households at various levels of adjusted gross income levels.

6. Once these projects are paid for, will the local sales tax continue?

The tax shall terminate 10 years after the date of the initial imposition of the tax or when the City Council determines that the amount of revenue received from the taxes to pay for the projects equals or exceeds \$6 million.

7. If the local sales tax referendum passes, when will the projects start?

Construction and renovation would start the summer of 2009.

8. What items purchased are subject to the local sales tax?

All goods or services that are otherwise exempt from taxation are exempt from a political subdivision's tax. In other words, if you don't pay any sales tax now on something, you won't pay the local sales tax either.

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9. Can you give me an idea of the local sales tax impact on various purchases?

1. 10. What about cars and other motorized vehicles?

There is NO local sales tax on motor vehicles. Instead, there is a tax of \$20.00 per motor vehicle purchased from a person engaged in the business of selling motor vehicles at retail within the city. In other words, if two private parties buy and sell a car, there is no local tax paid. If you buy a car from a dealer, it is a flat excise tax of \$20.00.

11. Are items that are sold in Worthington but then delivered outside the city limits, subject to the local sales tax?

Generally, items sold in the city would be subject to the tax. There are some exceptions for items shipped for use in a trade or business.

12. What portion of the sales tax is estimated to come from visitors to Worthington?

Based on sales tax projections and Minnesota Department of Revenue statistics, it is estimated that 40% of the local sales tax collected in Worthington would be from non-residents. Many visitors enjoy Worthington's amenities, and this is one way for them to contribute to their cost.

13. If the sales tax referendum fails, how will the projects be funded?

City Council would have to review and prioritize the projects and most likely issue bonds which would be repaid by city tax payers.

14. Will the local sales tax have an impact on economic development?

We have heard repeatedly from Worthington's major employers that the improvements to the community will directly impact how potential employees will view Worthington's quality of life. The economic vitality of Worthington depends in large part on the ability of the business community to attract and retain qualified employees. The projects to be completed with the local sales tax revenue are a clear statement that we take our quality of life in Worthington very seriously.

15. Do other cities in Minnesota have a local sales tax?

Yes, the following cities currently have a local sales tax: New Ulm, Mankato, Rochester, Winona, Albert Lea, Willmar, Austin, Baxter, Bemidji, Owatonna, Hermantown, Minneapolis, Proctor, St. Paul, Two Harbors, Duluth, Sartell, St. Cloud, St. Augusta, Sauk Rapids, St. Joseph,

and Waite Park.

16. Where's the Senior Center?

The City of Worthington has determined three projects as priorities for our community: Senior Facility, improvements to Memorial Auditorium, and Community Center Complex. The Senior Center cannot be funded through the ½ percent local sales tax. However, with the successful passing of the ½ percent sales tax, the challenge of funding these three projects becomes much easier. The City can commit to funding the Senior Facility through its normal funding options knowing the Memorial Auditorium Improvements and the Community Center Complex are funded through the local sales tax.

This FAQ sheet was prepared and paid for by "Your Community, Your Future, Your Vote" Committee and the Chamber of Commerce. Private individuals and organizations from within Worthington have donated funds for this committee's activities. No city funds or tax dollars are being spent on this campaign. For more information, or to schedule a speaker from this committee to talk to organizations or groups, contact the Chamber of Commerce: 507-372-2919, dmackl@frontiernet.net.