

AITKIN COUNTY_LOCAL OPTION SALES TAX STUDY_SUMMARY

EXTENSION’S COMMUNITY ECONOMICS PROGRAM

- One of 3 programs housed in Extension’s statewide Center for Community Vitality along with Leadership & Civic Engagement and the Tourism Center. There are 8 regional Community Economics educators in Greater Minnesota supported by campus-based specialists & applied economists.
- The Community Economics Program provides applied research and education supporting better informed economic development discussions and decisions for our community and business partners. Standard program offerings include Economic Impact Analysis, Retail Trade Analysis, Making It Home, Public Value, and Connecting Businesses and Communities. Merritt Bussiere is based in Extension’s Brainerd Regional Office.

LOCAL OPTION SALES TAX STUDY APPROACH & RESULTS

University of Minnesota Extension conducted a basic Local Option Sales Tax Study for Aitkin County in order to 1) generate an estimate of tax proceeds at different levels of taxation and 2) estimate what proportion of tax proceeds will be generated by permanent, year-round county residents vs. seasonal residents and other visitors, and travelers.

2015 sales tax data, the most recent available from the Minnesota Department of Revenue, provides a **total taxable sales figure of about \$110 million for Aitkin County** – a figure likely to increase over time. Using the rounded base of the range that we presented at the end of our March 2018 memo to the Aitkin County Board of Commissioners and the County Administrator – a conservative \$550,000 in tax proceeds for 2018 – we provide an estimate of total tax proceeds in 1/8 of a percent increments along with an estimated proportional breakout of revenue generated by permanent, year-round Aitkin County residents (74% of tax revenue) vs. seasonal residents and other visitors, and travelers (26% of tax revenue).

ESTIMATED TAX PROCEEDS	Multiplier	Total Tax Proceeds	Dollars	
			Aitkin County Residents	Non- Residents
@ 1/8th of a Percent	0.00125	\$137,500	\$101,750	\$35,750
@ 1/4th of a Percent	0.0025	\$275,000	\$203,500	\$71,500
@ 3/8ths of a Percent	0.00375	\$412,500	\$305,250	\$107,250
@ 1/2 of a Percent	0.005	\$550,000	\$407,000	\$143,000

Our shop’s 74/26 local/non-local breakout emerges from our comparison of potential sales per merchandise category with actual sales in each of 17 categories for Aitkin County, while taking into account the size of each merchandise category’s role in the county economy. The difference between potential and actual sales, and identifying economic, geographic and lifestyle factors that may be different for Aitkin County, help us create estimates about the proportional allocation of the potential tax.

Data/Study Limitations.

- The data, analysis and findings described in this report are specific to the geography, time frame and project requirements of Aitkin County. Findings are not transferable to other jurisdictions. Extension neither approves nor endorses the use or application of findings and other contents in this report by other jurisdictions.
- Extension offers no recommendations for the county’s discussions and decisions regarding tax policy including this sales tax option for Aitkin County.