



# LOCAL OPTION SALES TAX



On November 8, 2022, Moorhead voters will have the opportunity to approve a 0.5% local option sales tax to fund a new Regional Library and Community Center. The current regional library is more than 60 years old and has a long list of repairs and needs to meet the standards of modern libraries. Also, a community center is a major part of the plan. Moorhead residents have asked for space to connect with one another for a variety of activities year-round.



## WHAT DOES A LOCAL OPTION SALES TAX MEAN FOR MOORHEAD RESIDENTS?

According to a Local Sales Tax Impact Analysis (using 2019 data) completed by the University of Minnesota Extension Center for Community Vitality:

- Approximately 30 percent of sales tax paid in the City of Moorhead comes from out-of-town visitors; Moorhead residents would pay for about 70 percent of a new regional library/community center.
- The current sales tax in Moorhead is 7.375%, which includes a state sales tax rate of 6.875% and a 0.5% Clay County sales tax. (Clay County's sales tax is projected to end in 2038.) With this sales tax, Moorhead's rate would be 7.875%.
- By comparison, Fargo and West Fargo currently have 7.5% sales tax rates (which includes 5.0% state, 0.5% Cass County, and 2.0% city). (Information from [www.sale-tax.com](http://www.sale-tax.com).)
- The sales tax would generate about \$1.6 million per year. The average Moorhead resident would pay just over \$2 a month (or \$25 a year) in sales tax to fund the project.
- A \$100 taxable purchase would cost 50 cents more in Moorhead with the sales tax option.
- Prior to the pandemic, Moorhead retail tax base remained strong and steady for more than a decade and should be expected to remain steady and stable. Fargo also has a local option sales tax, so it is likely Moorhead should not see any major shifts in retail patterns.



## WHAT IS TAXABLE (AND NOT TAXABLE) UNDER THIS LOCAL OPTION SALES TAX?

- Motor vehicles are covered by a separate tax and are not subject to the local sales tax. Motor vehicles include cars, motorcycles, motor homes, pickups, trailers, commercial and non-commercial trucks, semi/truck-tractors, tractors and vans
- In general, anything subject to Minnesota state sales tax is covered by a local sales tax. Clothing, however, is not taxable in Minnesota.

