

A transparent conversation on taxes

Each year the Citizens League publishes a review of property taxes on average value homes across the state in an effort to start a transparent conversation about property taxes. The work requires a significant effort, and homeowner property taxes are just one part (albeit a major part) of the fiscal equation in each community.

In his December 26 opinion, Council Member Fedora addresses other parts of the equation that Duluth taxpayers should be thinking about *in addition* to property taxes and we think these are all important issues. We assume that Council Member Fedora is also trying to promote a transparent discussion, but he defeats his own purpose when he attacks our property tax review as a “selective analysis” that is “jaded” and part of a “conscious effort in Duluth to mislead the public. . .”

These are serious accusations and a city council member should know enough about what can be compared before charging the Citizens League with choosing not to compare them. With that aside, here are the very important issues that Council Member Fedora brings up for discussion.

Duluth Sales Tax

This is what really separates Duluth from other cities. Duluth is one of 23 local governments to currently impose a local sales tax (two others have expired). Duluth has the oldest local sales tax in Minnesota, dating back to 1973, and it is the *only local sales tax that has no expiration date*.

In addition, the Duluth sales tax is one of only four local sales taxes that did not require some form of voter approval (Minneapolis, St. Paul and Hennepin County are the others). Duluth is also the only city to have the sales tax revenues deposited into its general fund rather than segregated for a specific purpose. Back in 1997, Duluth had the political muscle at the Legislature to be “grandfathered in” rather than be subject to the local sales tax reforms, and that is why the Duluth sales tax is so different.

Since Duluth draws more people from outside the city to pay sales taxes than most Minnesota cities, it is a significant discussion as to whether the taxpayers of Duluth would rather not use the sales tax and have more revenue raised through property taxes.

Duluth could choose to have a vote at the next general election to see what the people want.

Special Assessments and Fees

The Citizens League compiled a six-year trend of special assessments that we published in 2007. The only way to rank special assessments is on a per capita basis and special assessments also apply to other properties than homes, so they cannot be factored in directly to homeowner property taxes. Duluth ranked #151 out of 203 for Greater Minnesota special assessments from 2001 to 2006. The Citizens League also looked at fees, but that data is even less uniform and more problematic to publish and rank than special assessments.

Utility Rates

We assume from Council Member Fedora's piece that Duluth is one of the few cities that still controls a municipal utility. Like the sales tax, it is good for taxpayers to know what Duluth is doing and what may be different from other communities in the area of utility rates.

If the council member wants better comparisons among local governments, it would certainly require the state to impose much more uniform ways to raise revenues and would also require more rigorous data collection.

Criticizing the Citizens League for an accurate comparison of homeowner property taxes does not help advance a transparent public discussion about taxes. We hope that taxpayers use the information as one part of the puzzle in trying to understand how their local governments raise and spend money.

--Bob DeBoer, Director of Policy Development, Citizens League