

**TOWN OF PRESCOTT VALLEY  
REQUEST FOR COUNCIL ACTION  
Date: October 8, 2015**

**SUBJECT:** Proposed Transaction Privilege and Use Tax Rate Increase

**SUBMITTING DEPARTMENT:** Executive Management

**PREPARED BY:** Larry Tarkowski, Town Manager

**AGENDA LOCATION:** Comments/Communications , Consent , Work/Study ,  
New Business , Public Hearing , Second Reading

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**ATTACHMENTS:** (a) Ordinance No. 811

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**SUMMARY/BACKGROUND:** General law municipalities in Arizona may impose a Transaction Privilege Tax (TPT) on various transactions per ARS §9-240(B)(18). The Town of Prescott Valley first adopted a TPT of 1% effective October 12, 1978. This rate was temporarily increased to 2% as of June 9, 1984 (and again as of July 20, 1987). The 2% rate became permanent on June 22, 1989. However, the rate for the transaction of “rental, leasing and licensing for use of real property” was set at 0%.

On July 3, 2002, an ad hoc citizen’s committee reviewing options for financing needed street improvements recommended that the TPT rate be raised from 2.00% to 2.33% and that the increased revenue be dedicated to finance improvements to the highest priority roadways (including Robert Road, Navajo Drive, and Lakeshore Drive). Based on this recommendation, the Town Council adopted Ordinance No. 532 (an emergency measure) on September 12, 2002 to raise the rate in accordance with the committee recommendation (effective December 1, 2002). In an effort to make the increased revenue available as needed for financing roadway improvements, Ordinance No. 532 provided that it would not be subject to any economic incentives that the Town might thereafter negotiate with respect to reimbursement of transaction privilege or use tax revenues generated by specified commercial developments.

From 2008 to 2012 the Town experienced (with the rest of Arizona) the negative effects of the worldwide economic recession which significantly reduced TPT revenues (and other revenues) and required significant reductions in Town expenditures for services (including for maintenance and construction of roadways). As the economy has recovered, the Town has only been able to partially restore such services. Therefore, it has been suggested that the time may be right to raise the TPT rate from 2.33% to 2.83% on most transaction categories (but expressly not on the business of mining or renting or leasing real property). Again, in an effort to make the increased revenue available as needed for financing such services, the adopting Ordinance would provide that said revenue not be subject to any economic incentives that the Town might hereafter negotiate with respect to reimbursement of transaction privilege or use tax revenues generated by specified commercial developments.

If the proposed TPT rate increase is adopted, ARS §42-6053(E) requires that notice of the change be given to the Municipal Tax Code Commission and the Arizona Department of Revenue within 10 days after passage so that the change may be reflected in the official copy of the model city tax code. Also, the intergovernmental agreement with ADOR requires that it be given at least 60 days’ notice of any change. The new rate would then apply on the first of the month after the 60-day notification (tentatively January 1, 2016). In the meantime, staff would take steps to inform the citizens and the businesses of the rate increase (through the Town newsletter, utility stuffers, publication in local newspaper, Channel 9 and the Town website).

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**OPTIONS ANALYSIS:** The Council may (a) adopt Ordinance No. 811 approving the proposed TPT rate increase, (b) modify the proposed rate change prior to approval by adoption of Ordinance No. 811, (c) direct staff to submit the question of a rate increase in a specified amount to the qualified electors in March 2016 (per ARS §§16-204(F) and 42-6006), or (d) decline to adopt Ordinance No. 811.

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**ACTION OPTION:** A) Motion to read Ordinance No. 811 by title only on two separate occasions, and then place the same on final passage, **OR** Motion not to read Ordinance No. 811. **VOTE.**

[if the motion passes to read the Ordinance, the Mayor asks the Town Clerk to read Ordinance No. 811 by title only for the first reading]

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**RECOMMENDATION:** Staff recommends adoption of Ordinance No. 811 approving the proposed TPT rate increase from 2.33% to 2.83%.

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**FISCAL ANALYSIS:** Approval of this TPT rate increase would result in an estimated increase in revenue during FY 2015-16 of approximately \$1,200,000. This has not been built into the FY 2015-16 Budget, but would be available for subsequent budget years.

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**REVIEWED BY:**

Management Services Director \_\_\_\_\_

Town Clerk \_\_\_\_\_

Town Attorney \_\_\_\_\_

Town Manager \_\_\_\_\_

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**COUNCIL ACTION:**

Approved  Denied  Tabled/Deferred  Assigned to \_\_\_\_\_