

**TOWN OF PRESCOTT VALLEY
REQUEST FOR COUNCIL ACTION
Date: June 3, 2010**

SUBJECT: 2010 Town Tax Code Amendment

SUBMITTING DEPARTMENT: Management Services

PREPARED BY: Jim Clemens, CPA, Finance Manager and Sarah Herzog, TPT Auditor
for Bill Kauppi, Management Services Director

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

ATTACHMENTS: a) Definitions and tax code sections for restaurants, hotel/motel and additional tax on transient lodging, b) Tax rate history and proposals, and c) Various municipalities TPT rate comparisons.

SUMMARY/BACKGROUND: Since October 12, 1978, the Town of Prescott Valley (Town) has administered its own Transaction Privilege/Use Tax Code as its primary source of independent revenue. In 1987, the Town (in conjunction with other Arizona municipalities) adopted a version of the Model City Tax Code which had been established by the Arizona League of Cities and Towns. The purpose of the Model Code is to standardize local codes as much as possible, while still giving municipalities certain standard options to choose from.

Ordinance No. 2 of the Town adopted a “Transaction Privilege Tax Code”, effective October 12, 1978, which established a tax rate of 1% on various transactions and Ordinance No. 99 of the Town increased the tax rate from 1% to 2% for a period of two years, effective thirty days after its passage and approval on May 10, 1984. Subsequent ordinances repealed the temporary rate, established the 2% transaction privilege tax rate and established a 0% transaction privilege tax rate on rental, leasing and licensing for use of real property. Ordinance 532 established a tax rate of 2.33% with the .33% to be dedicated to funding street improvements.

As part of the 2010-2011 Budget, staff is recommending a tax rate increase from 2.33% to 3% for the following categories: “restaurants/bars”, “hotel/motels” and “additional tax upon transient lodging”.

Under the terms of the Town’s intergovernmental agreement with the State (the Town’s tax collection agency), the Town must give the Arizona Department of Revenue (ADOR) at least 60 days notice of any change to the tax code. Taxes would then start being collected at the first of the month after this 60-day notification. This timeframe is needed for providing notice to the Town’s taxpayers and making the required changes to ADOR’s data processing. In addition to the State notification, the Town will take steps to inform the businesses of this rate increase (direct mailings, Town website, Channel 13, publication in local newspaper, telephone calls, etc.). If Council adopts this ordinance, the new tax rate will become effective September 1, 2010.

OPTIONS ANALYSIS: For discussion only.

ACTION OPTION: For discussion only.

RECOMMENDATION: For discussion only.

FISCAL ANALYSIS: The proposed increase to the three Transaction Privilege Tax categories will generate approximately \$250,000 in additional revenues.

REVIEWED BY:

Management Services Director _____ Town Clerk _____

Town Attorney _____

Town Manager _____

COUNCIL ACTION:

Approved Denied Tabled/Deferred Assigned to _____