

**TOWN OF PRESCOTT VALLEY
REQUEST FOR COUNCIL ACTION
Date: July 14, 2011**

SUBJECT: 2011 Town Tax Code Amendments

SUBMITTING DEPARTMENT: Management Services

PREPARED BY: Heidi Derryberry, 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) Resolution No. 1754 w/attached 2011 Tax Code Amendments b) Ordinance No. 761, and c) Executive Summary of Amendments

SUMMARY/BACKGROUND: Since October 12, 1978, the Town of Prescott Valley 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.

Over the years, a group of municipal representatives known as the Unified Audit Committee has worked with the League and with the Arizona Department of Revenue to try to standardize administration of local and state transaction privilege/use taxes. Often times proposed changes have resulted from changes made to state taxes by the Legislature or negotiations with industry representatives. As changes to the Model City Tax Code have been approved by the Municipal Tax Code Commission, the League has then prepared proposed amendments for each individual municipality and asked that the amendments be adopted by a date certain. The most recent changes adopted by the Town were in 2009 Amendments prepared by the League.

The League has now sent proposed 2011 Amendments for adoption by the Town. The attached Summary shows that the primary changes relate to: (1) definition and taxing clarification of medical marijuana, (2) clarification of the definition of Speculative Builder, (3) extending tax deductions for solar energy devices through January 1, 2017, (4) exempting the gross proceeds of commercial lease review when a corporation owns 80% or more of the lessor or lessee, (5) requiring tax to be paid when a creditor who obtains improved real property and then subsequently sells it, and (6) exempts the use of tangible personal property by a school district or charter school from Use Tax. The League has asked that the 2011 Amendments be adopted effective as described in the Ordinance as follows: (a) Section 1 – effective from and after June 1, 2011, (b) Section 2 through 5 – effective from and after July 29, 2010, (c) Section 6 – effective from and after May 1, 2010, and (d) Section 7 – effective from and after September 30, 2009.

Following past practice, staff recommends that the Town Council first adopt Resolution No. 1754 which declares the “2011 Amendments to the Tax Code of the Town of Prescott Valley” to be a public document which may be adopted by reference by Ordinance No. 761 (so that the significant cost of publishing all of the Code changes may be avoided. Copies would be available for public review in the Office of the Town Clerk).

OPTIONS ANALYSIS: The Council may adopt the 2011 Amendments in the timeframe requested, or decline to adopt the 2011 Amendments at this time.

ACTION OPTION: A) Motion to authorize the Mayor (or, in his absence, the Vice Mayor) to sign Resolution No. 1754 declaring the “2011 Amendments to the Tax Code of the Town of Prescott Valley” to be a public record under ARS §9-802, **OR** Motion not to approve Resolution No. 1754. **VOTE.**
B) Motion to read Ordinance No. 761 by title only on two separate occasions, and then place the same on final passage **OR** Motion not to read Ordinance No. 761. **VOTE.**

RECOMMENDATION: Town staff recommends authorizing signature of Resolution No. 1754 then reading Ordinance No. 761 by title only on two separate occasions, and then place the same on final passage.

FISCAL ANALYSIS: The 2011 Amendments have the potential to increase revenue from retail sales Transaction Privilege Tax on the sale of medical marijuana if sales occur within the Town and decrease revenue from Use Tax on purchases made by school districts and charter schools. The exemption and deduction of solar energy devices from contractors’ gross revenue and retail sales revenue is currently in place so there is no projected change to current revenue. Successor privilege tax liability in the event of foreclosure of improved property is currently in place and most foreclosed improved property in the Town has already been sold. The Town’s tax rate on rental of real property is 0% so the change to commercial rental tax is revenue neutral. The extent of these revenue changes isn’t yet known.

REVIEWED BY:

Management Services Director _____ Town Clerk _____

Town Attorney _____

Town Manager _____

COUNCIL ACTION:

Approved Denied Tabled/Deferred Assigned to _____