



Staff Report

Agenda Item: **FISCAL YEAR 2009-2010 TRANSACTION PRIVILEGE TAX RATE BUDGET OPTIONS** – Discussion and consideration of the Transaction Privilege Tax Rate (local sales tax percentage) options for the FY 2009-2010 budget.

Sponsored By: Kathy Bainbridge, Town Clerk/Finance Director

Meeting Date: March 24, 2009

Background: Transaction Privilege (Sales) Tax Rate: Currently, the Town of Clarkdale has a transaction privilege tax of 2.25% with an additional 1% collected on construction related activities. This is commonly referred to as Sales Tax. Our projections are that our collections this year will be down considerably from our budgeted amount, and that we will see further reductions next year. We will be budgeting for a 15% reduction from last year's budgeted amount for the 2010 Fiscal Year.

There is a set process that the Town Council must go through to modify the Sales Tax Rate. The ultimate action is the adoption of an ordinance that sets the new rates. Once the new rates are adopted, it takes approximately 3 months before the Town starts receiving revenues under the new rate. With that in mind, if the Council wants to consider an increase in the sales tax rate that would be applicable beginning in July, the new tax rate would need to be adopted in April.

The projected revenues based upon the compared tax rates of 2.25% and 3.0% project additional revenues of approximately \$111,000 for FY 2009/2010.

Recommendation: Staff recommends that the Council direct the staff to prepare an Ordinance that would increase the Transaction Privilege Tax Rate to 3.00%.