



Staff Report

Agenda Item: AN ORDINANCE OF THE TOWN OF CLARKDALE, ARIZONA, RELATING TO THE PRIVILEGE LICENSE TAX; AMENDING THE TOWN TAX CODE, CHAPTER 8A-2, ARTICLE IV, BY INCREASING THE GENERAL RATE OF TAXATION FROM TWO AND ONE-QUARTER PERCENT (2.25%) TO THREE PERCENT (3%); AND BY INCREASING THE RATE OF TAXATION ON CONSTRUCTION ACTIVITIES FROM THREE AND ONE-QUARTER PERCENT (3.25%) TO FOUR PERCENT (4%); PROVIDING PENALTIES FOR THE VIOLATION THEREOF; PROVIDING FOR SEVERABILITY; DESIGNATING AN EFFECTIVE DATE AND MAKING PROVISION FOR EXISTING CONTRACTS - Discussion and consideration of possible approval of an ordinance increasing the privilege sales tax by .75%.

Staff Contact: Kathy Bainbridge, Town Clerk/Finance Director

Meeting Date: April 14, 2009

Background: Council has discussed the possible need to increase the privilege license (sales) tax at the January 30, 2009 Strategic Planning and again at the March 10, 2009 Council meeting. Our projections are that collections this year will be down approximately 10% from our budgeted amount. Based upon our projection of further reductions next year, we have budgeted for an additional 15% reduction in our Trial Budget.

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. 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.

At the March 24, 2009 Council meeting, Council directed staff to begin the process and create an ordinance increasing the Town of Clarkdale sales tax by .75% over the existing rates. The effect of such action would increase the current 2.25% sales tax to 3% and the current 3.25% construction sales tax would increase to 4%.

The Clarkdale Tax Code was modified on April 5, 1994 by Ordinance #156 which increased the privilege sales tax rate from 2% to 2.25%. On May 25, 2004, Ordinance #264 increased the privilege sales tax rate 1% on construction activities from 2.25% to 3.25%.

As requested, staff researched the suggestion of including a “sunset clause” as part of the ordinance. The Council may choose to include the following sunset clause as part of the ordinance which would cause any action taken regarding additional tax rates to automatically revert to the tax rates in effect on June 30, 2009, on July 1, 2014.

“**Section 6.** The tax rates imposed in Sections 1 & 2 of this ordinance shall remain in effect until June 30, 2014 at which time they will revert to the tax rates in effect June 30, 2009 unless the Town Council, after study and review, determine the need to keep the rates in effect and acts to make the increase permanent.”

Recommendation: Approval of Ordinance # _____, **An Ordinance Of The Town Of Clarkdale, Arizona, Relating To The Privilege License Tax; Amending The Town Tax Code, Chapter 8a-2, Article IV, By Increasing The General Rate Of Taxation From Two And One-Quarter Percent (2.25%) To Three Percent (3%); And By Increasing The Rate Of Taxation On Construction Activities From Three And One-Quarter Percent (3.25%) To Four Percent (4%); Providing Penalties For The Violation Thereof; Providing For Severability; Designating An Effective Date And Making Provision For Existing Contracts.**

ORDINANCE NO. _____

AN ORDINANCE OF THE TOWN OF CLARKDALE, ARIZONA, RELATING TO THE PRIVILEGE LICENSE TAX; AMENDING THE TOWN TAX CODE, CHAPTER 8A-2, ARTICLE IV, BY INCREASING THE GENERAL RATE OF TAXATION FROM TWO AND ONE-QUARTER PERCENT (2.25%) TO THREE PERCENT (3%); AND BY INCREASING THE RATE OF TAXATION ON CONSTRUCTION ACTIVITIES FROM THREE AND ONE-QUARTER PERCENT (3.25%) TO FOUR PERCENT (4%); PROVIDING PENALTIES FOR THE VIOLATION THEREOF; PROVIDING FOR SEVERABILITY; DESIGNATING AN EFFECTIVE DATE AND MAKING PROVISION FOR EXISTING CONTRACTS.

BE IT ORDAINED BY THE MAYOR AND COUNCIL OF THE TOWN OF CLARKDALE, ARIZONA:

Section 1. The tax rate set forth in each of the following sections of the Town Tax Code is increased from two and one-quarter percent (2.25%) to three percent (3%):

- Section 8A-2-405 Advertising.
- Section 8A-2-410 Amusements, exhibitions, and similar activities.
- Section 8A-2-425 Job printing.
- Section 8A-2-427 Manufactured buildings.
- Section 8A-2-430 Timbering and other extraction.
- Section 8A-2-435 Publishing and periodicals distribution.
- Section 8A-2-444 Hotels.
- Section 8A-2-445 Rental, leasing, and licensing for use of real property.
- Section 8A-2-450 Rental, leasing, and licensing for use of tangible personal property.
- Section 8A-2-455 Restaurants and Bars.
- Section 8A-2-460. Retail sales: measure of tax; burden of proof; exclusions
- Section 8A-2-470 Telecommunication services.
- Section 8A-2-475 Transporting for hire.
- Section 8A-2-480 Utility services.

Section 2. The tax rate set forth in each of the following sections of the Town Tax Code is increased from three and one-quarter (3.25%) to four percent (4%):

- Section 8A-2-415 Construction contracting: construction contractors.
- Section 8A-2-416 Construction contracting: speculative builders.
- Section 8A-2-417 Construction contracting: owner-builders who are not speculative builders.

Section 3. Any person found guilty of violating any provision of these amendments to the Tax Code shall be guilty of a class one misdemeanor. Each day that a violation continues shall be a separate offense punishable as herein above described.

Section 4. If any section, subsection, sentence, clause, phrase or portion of this ordinance is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

Section 5. The tax imposed pursuant to Sections 1 and 2 of this ordinance shall not apply to contracts entered into prior to the effective date of this ordinance.

Section 6. The provisions of this ordinance shall become effective on July 1, 2009.

PASSED AND ADOPTED by the Mayor and Council of the Town of Clarkdale, Arizona,
this _____ day of _____, 2009.

Mayor

ATTEST:

Town Clerk

APPROVED AS TO FORM:

Town Attorney