

SUPPORT FOR PROPOSED MODIFIED FEES

Presented to Mayor & Council:

March 18, 2019

March 25, 2019

April 29, 2019

Proposed Effective Date:

September 1, 2019

Attachments:

Deficit Reduction Plan (Option #1)

Sales Tax Industry Summary

July 2019 Amendments to the South Tucson Tax Code

Compliance Timeline	
60 day posting period	May 1 – June 30
City Council to meet with Citizens Advisory Committee	Month of May
Publication of Ordinance in Newspaper 15 days prior to Public Hearing	June 15 – June 30
Public Hearing / Ordinance Approval	July 1
60 day implementation period	July 1 – Aug 31
Tax Effective Date	Sept 1

City of South Tucson
 Fiscal Year 2020 General Fund Baseline Budget
 Deficit Reduction Plan / Options for balancing the budget

DRAFT 03-20-2019
 (For presentation to Mayor & Council 03/25/2019)

Department	FY 2020 Baseline Budget	Revenue Adjustment	Option #1	Option #2	Option #3	Option #4	Option #5	Total
Revenues								
General Fund Revenue	\$4,937,616	\$102,597	\$123,200					\$5,163,413
Fund Balance							\$79,645	\$79,645
Expenditures								
City Council	\$40,187							\$40,187
Administration	\$862,805			(\$27,000)				\$835,805
Magistrate Court	\$218,189							\$218,189
Fire Department	\$777,084			(\$43,870)	(\$19,489)			\$713,725
Police Department	\$1,997,924							\$1,997,924
Public Works	\$102,547							\$102,547
Non-Departmental	\$1,334,681							\$1,334,681
Total	(\$395,801)	\$102,597	\$123,200	(\$27,000)	(\$43,870)	(\$19,489)	\$79,645	\$0

Option SUMMARY

Revenue Adjustment: State Shared Revenue Estimates received 3/19 increased by \$102,597

Option #1: Half cent sales tax increase on industries below the average 5.50% sales tax rate

Option #2: 6 month savings - P&Z Director (time to evaluate true need)

Option #3: Unfund the vacant Admin Captain position. This position has been vacant for a year and there is a Public Safety Director.

Option #4: Remove line item listed in personnel roster as "Personnel Savings to Pension Payment". Pension contributions on 1 FT position have been calculated based on the contribution rate of 398% and are expected to meet or exceed "required contribution amounts".

Option #5: Dip into fund balance (we hope to limit impact on the estimated Fiscal Year End balance of \$747K)

DEFICIT REDUCTION PLAN SUMMARY

	Running Balance
Baseline Deficit (preliminary draft, 05/07/2018):	(\$395,801)
Revenue Adjustment	\$102,597
Option #1	\$123,200
Option #2	\$27,000
Option #3	\$43,870
Option #4	\$19,489
Option #5	\$79,645
	\$0

City of South Tucson
Sales Tax Industry Summary

Up through 2014 Rate	Eff. Date: 12/1/2014		Eff. Date: 10/1/2016		Eff. Date: 09/1/2019		CURRENT TAX RATE	BUSINESS CODE	INDUSTRY / BUSINESS CODE	FY 17/18 Jul - Jan	FY 18/19 Jul - Jan	FYTD % change	SALES TAX REVENUE PER 1%	(12 month estimates)					
	Increase	Rate	Increase	Rate	Increase	Rate								Estimated Annual Revenue	SALES TAX REVENUE PER 1%	Half Cent 12 Months	Half Cent 9 Months		
2.5%	2.0%	4.50%	0.5%	5.00%	0.5%	5.50%	5.00%	0						310,000	62,000	31,000	23,250		
2.5%	2.0%	4.50%	0.5%	5.00%	0.5%	5.50%	5.00%	4	Utilities	\$206,314	\$199,820	-3.15%	\$39,963.99	55,000	11,000	5,500	4,125		
2.5%	2.0%	4.50%	1.0%	5.50%		5.50%	5.00%	5	Communications	\$44,316	\$26,771	-39.59%	\$5,354.29						
2.5%	2.0%	4.50%	1.0%	5.50%		5.50%	5.50%	6	Transporting	\$0	\$0	0.00%	\$0.00						
2.5%	2.0%	4.50%	1.0%	5.50%		5.50%	5.50%	9	Publication	\$143	(\$444)	-409.32%	-\$80.64						
2.5%	2.0%	4.50%	1.0%	5.50%		5.50%	5.50%	10	Job Printing	\$8,532	\$16,667	95.95%	\$3,030.29						
3.5%	2.0%	5.50%	1.0%	5.50%		5.50%	5.50%	11	Restaurant and Bars	\$381,154	\$441,870	15.93%	\$80,340.03						
2.5%	2.0%	4.50%	1.0%	5.50%		5.50%	5.50%	12	Amusements	\$19,351	\$19,685	1.72%	\$3,579.03						
2.5%	2.0%	4.50%	1.0%	5.50%		5.50%	5.50%	15	Contracting - Prime	\$83,141	\$72,113	-13.26%	\$13,111.44						
2.5%	2.0%	4.50%	0.5%	5.00%	0.5%	5.00%	4.50%	17	Retail Sales	\$675,864	\$654,653	-3.14%	\$145,478.54			1,150,000	255,556	127,778	95,833
2.5%	2.0%	4.50%	1.0%	5.50%		5.50%	5.50%	18	Advertising	\$296	\$840	184.25%	\$152.81						
2.5%	2.5%	statute	statute	statute	statute	statute	3.50%	44	Hotels	\$10,891	\$6,334	-41.84%	\$1,809.84						
2.5%	2.5%	vote	vote	vote	vote	vote	2.50%	45	Residential Rental, Leasing & Licensing for Use	\$22,323	\$36,903	65.31%	\$14,761.22						
2.5%	-1.0%	1.50%					1.50%	50		\$488	\$571	17.09%							
2.5%	0.0%	1.50%		1.50%		1.50%	1.50%	62	Retail Sales Food for Home Consumption	\$81,373	\$83,359	2.44%	\$55,572.35						
2.5%	1.5%	2.50%	0.5%	2.00%		2.00%	2.00%	144	Hotel/Motel (Additional Tax)	\$6,223	\$3,620	-41.84%	\$1,809.84						
2.5%	2.0%	4.50%	2.0%	2.50%		2.50%	2.50%	213	Commercial Rental, Leasing & Licensing for Use	\$63,561	\$65,232	21.79%	\$26,092.70						
2.5%	2.0%	4.50%	2.0%	6.50%		6.50%	6.50%	214	Rental, Leasing & Licensing for Use of TPP	\$54,714	\$50,449	-7.80%	\$7,761.35						
2.5%	2.0%	2.50%	1.5%	4.00%		4.00%	4.00%	313	Commercial Lease (Additional Tax)	\$45,864	\$49,498	7.92%	\$12,374.58						
2.5%	2.0%	4.50%		4.50%		4.50%	4.50%	315	MRRR Amount	\$56	\$201	258.74%	\$44.61						
								325		\$1,086	\$803	-26.09%							
										\$1,694,303	\$1,717,231	1.35%	\$411,156.28			164,278	123,208		

PROGRAM CITY TOTALS --->
Based on:
Jul-Jan

Presented to Mayor & Council:
3/18/19, 3/25/19, 4/29/19

% Change from prior year

**JULY 2019 AMENDMENTS TO THE
SOUTH TUCSON TAX CODE**

(City Code Ch. 11, Article IV / Model City Tax Code)

ARTICLE IV.

PRIVILEGE TAX

DIVISION 5.

PRIVILEGE TAX

Sec. 11-201. Retail sales--Measure of tax; burden of proof; exclusions.

(a) The tax rate under the provisions of this article shall be at an amount equal to ~~four and one-half (4.5)~~ **five (5.0)** percent of the gross income from the business activity upon every person engaging or continuing in the business of selling tangible personal property at retail.

(b) The burden of proving that a sale of tangible personal property is not a taxable retail sale shall be upon the person who made the sale.

(c) For the purposes of this article, sales of tangible personal property do not include:

(1) Sales of stocks, bonds, options, or other similar materials.

(2) Sales of lottery tickets or shares pursuant to A.R.S. tit. 5, ch. 5, art. 1 [§ 5-501 et seq.].

(3) Sales of platinum, bullion, or monetized bullion, except minted or manufactured coins transferred or acquired primarily for their numismatic value as prescribed by regulation.

(4) Gross income derived from the transfer of tangible personal property which is specifically included as the gross income of a business activity upon which another section of this division imposes a tax, shall be considered gross income of that business activity, and are not includable as gross income subject to the tax imposed by this section.

(5) Sales by professional or personal service occupations where such sales are inconsequential elements of the service provided.

(d) Except as provided in section 11-126, when this city and another Arizona city or town with an equivalent excise tax could claim nexus for taxing a retail sale, the city or town where the permanent business location of the seller at which the order was received shall be deemed to have precedence, and for the purposes of this article such city or town has sole and exclusive right to such tax.

(e) The appropriate tax liability for any retail sale where the order is received at a permanent business location of the seller located in this city or in an Arizona city or town that levies an equivalent excise tax shall be at the tax rate of the city or town of such seller's location. (Ord. No. 87-02, § 1(9A-460), 7-13-87; Ord. No. 95-07, § 1, 8-14-95)

Sec. 11-203. Telecommunication services.

(a) The tax rate under the provisions of this article shall be at an amount equal ~~five~~ **five and one-half (5.5)** percent of the gross income from the business activity upon every person engaging or continuing in the business of providing telecommunication services to consumers within this city.

(b) In this section:

(1) Telecommunication services include:

- a. Two-way voice, sound, and/or video communication over a communications channel.
- b. One-way voice, sound, and/or video transmission or relay over a communications channel.
- c. Facsimile transmissions.
- d. Providing relay or repeater service.
- e. Providing computer interface services over a communications channel.
- f. Time-sharing activities with a computer accomplished through the use of a communications channel.

(2) Gross income from the business activity of providing telecommunication services to consumers within this city includes:

- a. All fees for connection to a telecommunication system.
- b. Toll charges, charges for transmissions, and charges for other telecommunications services; provided that such charges relate to transmissions originating in the city and terminating in this state.
- c. Fees charged for access to or subscription to or membership in a telecommunication system or network.
- d. Charges for monitoring services relating to a security or burglar alarm system located within the city where such system transmits or receives signals or data over a communications channel.

(c) Gross income from sales of telecommunication services to another provider of telecommunication services for the purpose of providing the purchaser's customers with such service shall be exempt from the tax imposed by this section; provided, however, that such purchaser is properly licensed by the city to engage in such business.

(d) Charges by a provider of telecommunication services for transmissions originating in the city and terminating outside the state are exempt from the tax imposed by this section.

(Ord. No. 87-02, § 1(9A-470), 7-13-87; Ord. No. 95-07, § 1, 8-14-95; Ord. No 14-04, 09-04-14, Ord. No 16-04, 07-28-16)

Sec. 11-206. Utility services.

(a) *Generally.* The tax rate under the provisions of this article shall be at an amount equal ~~five (5.0)~~ **five and one-half (5.5)** percent of the gross income from the business activity upon every person engaging or continuing in the business of producing, providing, or furnishing utility services, including electricity, electric lights, current, power, gas (natural or artificial), or water to consumers or ratepayers who reside within the city.

(b) *Exclusion of certain sales of natural gas to a public utility.* Notwithstanding the provisions of subsection (a) of this section, the gross income derived from the sale of natural gas to a public utility for the purpose of generation of power to be transferred by the utility to its ratepayers shall be considered a retail sale of tangible personal property subject to sections 11-200 and 11-201, and not considered gross income taxable under this section.

(c) *Resale utility services.* Sales of utility services to another provider of the same utility services for the purpose of providing such utility services either to another properly licensed utility provider or directly to such purchaser's customers or ratepayers shall be exempt and deductible from the gross income subject to the tax imposed by this section, provided that the purchaser is properly licensed by all applicable taxing jurisdictions to engage or continue in the business of providing utility services, and further provided that the seller maintains proper documentation, in a manner similar to that for sales for resale, of such transactions.

(d) The tax imposed by this section shall not apply to sales of utility services to any nonprofit primary health care facility, except when sold for use in activities resulting in gross income from unrelated business income as that term is defined in 26 U.S.C. § 512.

(Ord. No. 87-02, § 1(9A-480), 7-13-87; Ord. No. 88-02, § 1, 3-28-88; Ord. No. 95-07, § 1, 8-14-95; Ord. No 14-04, 09-04-14; Ord. No 16-04, 07-28-16)

SUPPLEMENTAL INFORMATION (FOR INTERNAL REFERENCE)

Cross referencing table:

South Tucson City Code; Article IV Privilege Tax	Model City Tax Code Section	Title	Business Class Code
11-201	460	Retail sales—measure of tax; burden of proof; exclusions	ST 017
11-203	470	Telecommunication services	ST 005
11-206	480	Utility services	ST 004