

**NOTICE OF PUBLIC HEARING ON
PROPOSED CITY OF FLAGSTAFF TAX CODE CHANGES
(POSSIBLE INCREASE IN THE USE TAX RATE)**

The City of Flagstaff hereby gives notice pursuant to A.R.S. § 9-499.15 of a proposed increase in the use tax rate from 1% to 2.281%, for the purpose of raising revenue to help pay for expenses of the City, including its unfunded liability for police and fire fighter pensions.

The Flagstaff voters have already approved a base local transaction privilege tax rate of 2.281% effective July 1, 2019. The majority of the revenues generated by this tax are dedicated for public transportation, roads and trails related activities.

The City proposes to amend the City Tax Code to impose a tax rate of 2.281% on storage or use in the City of tangible personal property for which an equivalent tax has not been paid (“use tax”). A use tax is similar to the local transaction privilege tax, and is classified as “an affiliated excise tax.” A use tax is not paid in any circumstance when an equivalent local transaction privilege tax has been paid. In other words, there is no “double taxation.”

A first reading of an ordinance regarding the proposed use tax rate increase may occur at the public meeting of Tuesday, June 18, 2019 at 6:00 p.m. in the City Council Chambers.

The City Council will conduct a public hearing and consider approval of the proposed use tax rate increase at the following date and time:

**Tuesday, July 2, 2019 at 6:00 p.m.
City Council Chambers
211 W. Aspen Avenue
Flagstaff, Arizona 86001**

A second reading and adoption of an ordinance to amend the City Tax Code to enact the use tax rate increase may occur following the public hearing.

A schedule of the proposed increased use tax that includes the amount of the tax and a written report or data that supports the increased tax is attached, and a copy has been placed on file with the City Clerk.

Please contact Sandy Corder, Revenue Director, (928) 213-2252 if you have any questions. The City Tax Code is part of the City Code and can be found on the City website, www.flagstaffaz.gov. The Arizona Department of Revenue is responsible for administration of local tax collection, and maintains information about both state and local taxes on its website, www.azdor.gov.

Submitted by: Sandy Corder, Revenue Director

This notice is posted on the homepage of the City website on Thursday May 2, 2019. This notice has been distributed to other social media accounts and electronic communication tools of the City at least 60 days prior to July 2, 2019.

Posted and distributed by: Jessica Drum, Communications Manager (928) 213-2061.

Attachments: A written report or data to support the increased tax

S:\Legal\Civil Matters\2014\2014-161 Possible Adoption of Use Tax and Jet Fuel Tax\Notice of proposed use tax 4-29-19.docx

**City of Flagstaff
Summary of Proposed Use Tax Rate Increase**

General Fund

City Code and Tax Schedule Reference	Current Use Tax	Customer Impacted Representative Sample Contact Revenue Director for Complete list	Existing Tax Rate	Proposed Tax Rate	Justification/Cost Basis	Comparison
Effective August 1, 2019						
City Code: Div 3-05-06	A tax on the use or storage of tangible personal property	Nonstore Retailers - 454000 New Car Dealers - 441110 Electronic Shopping - 454111 Electronic Shopping and Mail-Order Houses - 454110 Grocery Stores - 445100 Medical Dental and Hospital Equipment and Supplies Merchant Wholesalers - 423450 Building Material and Supplies Dealers - 444100 Miscellaneous Store Retailers - 453000 Other Personal Services - 812900 Computer and Software Stores - 443120 Other Direct Selling Establishments - 454390 Medical Equipment and Supplies Manufacturing - 339110 Direct Selling Establishments - 454300 Electronics and Appliance Stores - 443100 Unknown - 452110 Full-Service Restaurants - 722110 Automotive Parts Accessories and Tire Stores - 441300 Special Food Services - 722300 Telecommunications - 517000 Office Supplies and Stationery Stores - 453210 Other Computer Related Services - 541519 All Other Miscellaneous Store Retailers (Except Tobacco Stores) - 453998 Pharmacies and Drug Stores - 446110 Cut and Sew Apparel Manufacturing - 315200 Other General Merchandise Stores - 452900	1% generates approximately \$700,000 annually	2.281% will generate approximately \$1.6 million annually	The City is considering ways to generate revenues for the purpose of raising revenue to help pay for expenses of the City, including but not limited to its unfunded liability for police and fire fighter pensions. The current unfunded liability exceeds \$100 million.	The local Transaction Privilege Tax (TPT) rate is 2.281%.

