

Memorandum

To: Mayor and Council
From: Tom Baker, Town Administrator
Date: November 15, 2016
Re: Discussion: Use Tax for Auto Sales

Purpose: The purpose of this item is to discuss the idea of seeking voter authorization for a Use Tax for Auto Sales.

Background and Discussion: At our last meeting, Council Member Metzger raised a question about why New Castle did not have a use tax for automobile sales. Staff researched past ballot questions and learned that in April of 2010, voters denied a ballot question for a 2% tax on motor and other vehicles that require registration. The tax revenue generated by this tax was earmarked for maintenance, repair or construction of streets within the town.

Attached to this memorandum is the TABOR information for the 2010 election. Staff is researching what other area communities require regarding a use tax for vehicle sales and will provide this information at the meeting. Because this is a TABOR question it can only be submitted to the voter during a general or municipal election.

Request: Council discussion.

TO: ALL REGISTERED VOTERS

**NOTICE OF ELECTION TO INCREASE TAXES
ON A REFERRED MEASURE
TOWN OF NEW CASTLE
Garfield County, Colorado**

Election Date: Tuesday, April 6, 2010

Election Hours: This Election will be conducted by mail ballot. Ballots must be received at Town Hall by 7:00 p.m.

Local Election Office Address and Telephone Number:

Town Clerk
Town of New Castle
450 West Main Street
Box 90
New Castle, Colorado 81647
(970) 984-2311

Ballot Title and Text:

BALLOT ISSUE 2:

SHALL THE TOWN OF NEW CASTLE, COLORADO ADOPT AN ORDINANCE THAT IMPOSES AND COLLECTS A TWO PERCENT (2%) USE TAX PURSUANT TO COLORADO REVISED STATUTE SECTION 29-2-101 ET SEQ ON MOTOR OR OTHER VEHICLES FOR WHICH REGISTRATION IS REQUIRED, THE REVENUE FROM SUCH TAX TO BE DEPOSITED IN THE TOWN'S GENERAL FUND TO BE DISBURSED ONLY FOR THE IMPROVEMENT, MAINTENANCE, REPAIR, OR CONSTRUCTION OF STREETS WITHIN THE TOWN?

Total Town Fiscal Year Spending

<u>Fiscal Year(1)</u>	
2010 (estimated):	\$2,980,690
2009 (unaudited actual):	\$6,737,115
2008 (actual):	\$5,302,299
2007 (actual):	\$10,354,740
2006 (actual):	\$4,618,187
Overall percentage change from 2006 to 2010:	(35.46)%
Overall dollar change from 2006 to 2010:	(\$1,637,497)

(1) The Town has been experiencing a high level of growth over the past five years. The fluctuations in fiscal year spending are a direct result of contributions to the Town by developers of streets, sidewalks, land for streets, park land and open space, which vary by large amounts from year to year. These items are

accounted for by the Town as both an income and as an expense. In November 1994, the Town's voters approved a question allowing the Town to collect, retain and expend all revenue it receives notwithstanding the provisions of Article X, Section 20 of the Colorado Constitution.

Proposed Tax Increase

Town Estimate of the Maximum Dollar Amount
of the Proposed Tax Increase For the First Full Fiscal Year
of the Proposed Tax Increase (2011):

BALLOT ISSUE 2: \$96,844

Town Estimate of Fiscal Year Spending in 2011 (First Full Fiscal Year)
Without Proposed Tax Increase: \$3,189,338

Summary of Written Comments FOR Ballot Issue 2:

Currently New Castle collects no tax on vehicles purchased by town residents. The ballot measure allows the Town Council to impose a 2% use tax (comparable to a sales tax) on any vehicle which must be licensed.

Since the town has a very limited sales tax base, the use tax on vehicle purchases will help bolster the town's budget.

Income from the use tax will be designated for street maintenance, which is clearly an important need.

Most area towns already collect use taxes, many at a higher rate than the proposed 2%.

Summary of Written Comments AGAINST Ballot Issue 2:

From the information given, I can't understand what the 2% tax will apply to, how it will be collected or how much it is likely to cost me.

Shouldn't there at least be a layman's explanation of "Colorado Revised Statute Section 29-2-101 et seq"? I want to support the town but it's difficult to approve an ordinance that I don't understand.