

STAFF MEMO

DATE OF COUNCIL MEETING: FEBRUARY 22, 2021 / AGENDA ITEM NO. 10

To: Mayor and City Council

From: Holly Björklund, Chief Financial Officer, 303-987-7601

Subject: **An Ordinance Amending Title 3 of the Lakewood Municipal Code to Modify Certain Sales and Use Tax Exemptions and to Adopt Certain Changes to Sections 3.03.310 and 3.01.320 and Chapters 3.02 and 3.03 Thereof**

SUMMARY STATEMENT: Lakewood Municipal Code (“LMC”) Chapter 3.02 (Registration of a Motor Vehicle) and Chapter 3.03 (Accommodations Tax) need to be updated to carry through some of the changes in terminology and taxation clarification related to the recent adoption of Chapter 3.01. In addition, other revisions to Chapter 3.01 regarding licensing, lodging services, and exemptions could better align the City with the State and/or other municipalities, which would simplify taxation and increase compliance.

BACKGROUND INFORMATION: Chapter 3.01 of the LMC was revised to incorporate standardized definitions, transform the language to be more user (business) friendly and more clearly articulate current processes and tax determinations. The revised code was adopted unanimously by City Council on December 14, 2020. Other chapters of the LMC need to be updated to carry through some of the changes in terminology and taxation clarification. Additional updates for Chapter 3.01 will align the City with the State and/or other municipalities. The exemption of certain items and not others sold by a vendor causes complexity and results in varying tax rates that can cause errors and increased audit liability. The alignment of taxation across jurisdictions makes it easier for taxpayers to understand and implement within the constraints of software systems (POS).

BUDGETARY IMPACTS: It is anticipated that the revised Code will result in better compliance and therefore, increased revenue. Revenue gains are anticipated to be de minimus.

STAFF RECOMMENDATIONS: Staff recommends City Council provide any specific questions in advance, so thoughtful answers may be researched and responded to suitably.

ALTERNATIVES: City Council could choose to adopt any or none of these items.

PUBLIC OUTREACH: This item was promoted through the regular communication channels for items that come before the City Council.

NEXT STEPS: 2nd Reading March 22, 2021

ATTACHMENTS: Ordinance O-2021-4
Exhibits A, B, C & D to Ordinance O-2021-4
City Council Study Session February 1, 2021 PowerPoint
New Revenue White Papers – February 2021

REVIEWED BY: Kathleen E. Hodgson, City Manager
Benjamin B. Goldstein, Deputy City Manager
Alison McKenny Brown, City Attorney