





# **City Council Study Session February 1, 2021**

## **Tax Exemptions Review and Other Administrative Changes**

# New Revenue Opportunities Draft Timeline

<u>Opportunity</u>	<u>Estimated Timing</u>	<u>Vote Needed</u>
 Adoption of Revised Lakewood Municipal Code Chapter 3	Dec-20	City Council
 Removal/Modification of Certain Tax Exemptions	Mar-21	City Council
Taxation of Specific Services	Nov-21	Citizen
Legalization of Specific Business Activities	2021	Varies
Adoption of Occupational Privilege Tax	Nov-21	Citizen
Establish TABOR Base at 2019 Level	Nov-21	Citizen
Annexation of Commercial Areas	TBD	City Council

# Removal/Modification of Certain Tax Exemptions

Exemption	Reason
<del>Medical Supplies of Practitioners</del> <b>Removed from consideration</b>	Clarification of intent
Electric Vehicles	Alignment with the State
Cigarettes	Removal of exemption now allowed by HB19-1033;  Alignment with other jurisdictions – CO, Aurora, Aspen, Avon, Basalt, Boulder, Crested Butte, Glenwood Springs, New Castle, and Vail
Non-essentials (carryout food/drink)	Alignment with the State
<del>Pass-through Exemption from Exempt Entities to Contractors</del> <b>Removed from consideration</b>	Alignment with other jurisdictions – Aurora, Boulder, Colorado Springs, Denver, Englewood, Lone Tree, Fort Collins, Greenwood Village, Thornton, Westminster, and Wheat Ridge



# Medical Supplies of Practitioners

**CURRENTLY UNDER REVIEW BY THE STATE**

**CDOR is proposing the rewrite of Rule 39-26-717 Medical Material, Equipment, and Drugs. A hearing will be held 1/25/21.**

**This item has been removed from  
consideration at this time.**



# Electric Vehicles

- **Change:** Remove exemption on sale of electric-powered automotive vehicles, batteries, and controls
- **Reason:** Simplifies taxation for businesses, increases compliance, and broadens the tax base
- **Municipal Alignment:** State of Colorado
- **Revenue Impact:** \$150,000-356,000 per year



# Cigarettes

- **Change:** Remove exemption on the sale of cigarettes
- **Reason:** Simplifies taxation for businesses, increases compliance, and broadens the tax base
- **Municipal Alignment:** State of Colorado, Aurora, Aspen, Avon, Basalt, Boulder, Crested Butte, Glenwood Springs, New Castle, and Vail
- **Revenue Impact:** \$450,000/year
- Other Options for Consideration:
  - Special sales tax
    - Cigarettes only, or
    - All tobacco products (i.e. electronic smoking devices, vape pens, and any refill, cartridge or component of such product)
  - Expansion of current licensing to all tobacco retailers selling products that contain tobacco, nicotine or synthetic nicotine, tobacco-related paraphernalia, and electronic smoking devices
  - ~~Implementation of retail tobacco store license~~
  - ~~Increase in minimum age from 18 to 21 to purchase all tobacco products, including smoking devices~~



# Non-Essentials (Carryout)

- **Change:** Amend exemptions to apply to essential articles or containers only
- **Reason:** Simplifies taxation for businesses, increases compliance, and broadens the tax base
- **Municipal Alignment:** State of Colorado
- **Revenue Impact:** \$13,000 per year



# Pass-Through Exemption to Contractors

- **Change:** Eliminate section (a)(ii) of the exemption which allows contractors to use an exempt entity's certificate of exemption to claim a tax exemption
- **Reason:** Broadens the tax base
- **Municipal Alignment:** Aurora, Boulder, Colorado Springs, Denver, Englewood, Lone Tree, Ft. Collins, Greenwood Village, Thornton, Westminster and Wheat Ridge
- **Revenue Impact:** \$260,000 per year

This item has been removed from  
consideration at this time.





# Discussion on Exemptions

## Chapter 3.01 – Lodging Services

- **Change:** Add the word “natural” to Exemption 3.01.430 (I)  
*I. Lodging Services provided to a natural Person, pursuant to a written agreement, for a period of thirty (30) consecutive days or more*
- **Reason:** The addition narrows the exemption to only natural persons. It will eliminate large businesses from taking advantage of the exemption by booking a room under the business name for several people’s use.
- **Municipal Alignment:** State of Colorado and Denver

# Administrative Changes

(Continued)

## Chapter 3.01 - Sales and Use Tax Licensing

- **Licensing Fee Approver**

- **Change:** Assign Chief Financial Officer (CFO) as license fee approver
- **Reason:** CFO will have knowledge of licensing process and associated personnel cost used to determine license fee

- **License Renewals**

- **Change:** Implement a 2-year license renewal
- **Reason:** Ensures business information is up to date, allowing for better communication and account management
- **Municipal Alignment:** State of Colorado, Aurora, Denver, Golden, Parker



# Administrative Changes

(Continued)

## Chapter 3.02 – Registration of a Motor Vehicle

- **Change:** Revisions to align with recently adopted Sales & Use Tax Code Chapter 3.01
- **Reasons:** Consistency with Chapter 3.01 sections

## Chapter 3.03 - Accommodations Tax

- **Change:** Revisions to align with recently adopted Sales & Use Tax Code Chapter 3.01
- **Reasons:**
  - Consistency with Chapter 3.01 sections
  - Strengthens language to clarify that online travel companies and other Marketplace Facilitators are providers of Lodging Services



# Discussion on Administrative Changes



# Opportunities Requiring Citizen Vote

- **Additional tax on cigarettes and like product**
- **Taxation of specific services**
- **Legalization of specific business activities**
- **Adoption of Occupational Privilege Tax**
- **Modification of TABOR base**

## **Action Needed**

**City Council, please identify which items to be considered for the November 2021 ballot.**