

AGENDA ITEM SUMMARY

City Council

December 3, 2013

STAFF

Jessica Ping-Small, Revenue and Project Manager

SUBJECT

First Reading of Ordinance No. 170, 2013, Amending Chapter 25, Article III of the City Code Concerning Sales and Use Tax.

EXECUTIVE SUMMARY

The purpose of this item is to amend the City Code to limit the option for vendors to file consolidated sales and use tax returns for multiple locations.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

BACKGROUND / DISCUSSION

Chapter 25 of the City Code currently allows vendors the option to file a consolidated sales and use tax return for multiple locations within the city limits. Although the option provides a convenience to the business community, it creates reporting discrepancies by geographical area for the Finance Department.

For example, if a vendor has a location within the Downtown Development Authority (DDA) and at Front Range Village, by reporting on a consolidated return for both locations, the revenue is either recorded in the DDA geographical area or the Front Range Village geographical area. The consolidation process limits the City's capability to accurately report sales and use tax collections by area.

Sales Tax staff frequently receives requests for collection data on the following geographical areas:

- Downtown Development Authority
- Midtown
- Mall
- Front Range Village
- North College

The consolidated return allowance limits our ability to report on these areas accurately without manual adjustments.

The proposed Code change affects 118 vendors which is 1% of our total licensed vendor count of 11,000.

The Sales and Use Tax license is free and non-expiring. The Code change does require a separate tax return and license for each location. Staff will complete the process of creating the additional licenses on behalf of the vendors to ease any administrative burden.

In addition the Sales Tax Department is in the process of implementing new sales tax software. The software, which will be live in early 2014 will allow vendors to file and remit their sales tax online. This added convenience will help to mitigate the additional requirement to file separate returns for each location.

The Code will still allow for consolidated returns when the business location is not occupied by owners, employees or sales staff. Examples of these businesses are DVD rental kiosks and ATM locations.

PUBLIC OUTREACH

Vendors affected by the proposed Code change were notified via letter in November 2013. Staff has received very little feedback to date. Of the communication received, vendors were understanding of the requirement and appreciative that staff will be completing the license application process on their behalf.

ORDINANCE NO. 170, 2013
OF THE COUNCIL OF THE CITY OF FORT COLLINS
AMENDING CHAPTER 25, ARTICLE III OF THE CODE OF THE
CITY OF FORT COLLINS CONCERNING SALES AND USE TAX

WHEREAS, under Article V, Section 22 of the City Charter, the Financial Officer is responsible for collecting, receiving and disbursing all money belonging to the City; and

WHEREAS, City staff regularly encounters sales and use tax reporting discrepancies attributable to the use of consolidated tax returns by vendors with more than one location in the City; and

WHEREAS, the consolidation return process requires the City to take additional manual steps to separate collection data and accurately determine sales and use tax collections by geographic area; and

WHEREAS, the Financial Officer and the City Manager recommend that the City Code be amended to limit the use of consolidated sales and use tax returns; and

WHEREAS, the City Council wishes to accept the recommendations of the Financial Officer and the City Manager and amend Chapter 25, Article III of the City Code to that effect.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS, that Section 25-128 of the Code of the City of Fort Collins is hereby amended to read as follows:

Sec. 25-128. Consolidation of returns.

A retailer doing business in two (2) or more places or locations, whether within or without the City, and collecting taxes hereunder may file one (1) return covering all such places or locations ~~when accompanied by a supplemental report showing the gross and net taxable sales and the taxes collected thereon for each such place or location~~ only if there are no owners, employees, agents, or commissioned sales persons of such business on duty at any location in the City. Any retailer conducting online sales must file a separate return covering online sales, even if the retailer is filing a consolidated return for sales at physical locations.

Introduced, considered favorably on first reading, and ordered published this 3rd day of December, A.D. 2013, and to be presented for final passage on the 17th day of December A.D. 2013

Mayor

ATTEST:

City Clerk

Passed and adopted on final reading on the 17th day of December A.D. 2013.

Mayor

ATTEST:

City Clerk