

AGENDA ITEM SUMMARY

FORT COLLINS CITY COUNCIL

ITEM NUMBER: 16

DATE: November 15, 2005

STAFF: Chuck Seest
Jeremy Reese

SUBJECT

First Reading of Ordinance No. 142, 2005, Appropriating Prior Years Use Tax Carryover Reserves for the Temporary Manufacturing Equipment Use Tax Rebate Program.

RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

FINANCIAL IMPACT

The City received rebate requests of approximately \$168,000 for taxes paid on eligible equipment by manufacturers from the year 2004. The City has approximately \$3.8 million in the use tax carry-over reserve, which is the designated source of funding for the Temporary Manufacturing Equipment Use Tax Rebate Program. The amount of funding for the Rebate Program will not interfere with the 2007 budget exceptions process.

EXECUTIVE SUMMARY

In March 1996, City Council approved a Manufacturing Equipment Use Tax Rebate Program ("Rebate Program") for use tax paid on manufacturing equipment. The goal of the program was to maintain the local economic base by providing modest tax relief to manufacturers located in Fort Collins. The Rebate Program has provided rebates to manufacturers for the calendar years 1996 through 2001. The Rebate Program was suspended for calendar year 2002 due to economic conditions. Council reinstated the program in January of 2004 for a two year period to coincide with the biennial budget. Under the Rebate Program, the rebate payments are paid by the City during the year following the year in which the use tax was remitted by the vendor. This is a rebate of taxes paid in 2004 and not a tax exemption. Twelve companies have filed applications this year for a total of \$168,000 in rebates. The source of funding for the Rebate Program is the sales and use tax fund, specifically the use tax carry-over reserve.

BACKGROUND

The Rebate Program was initiated in 1996, and was intended to focus on encouraging the reinvestment made by local manufacturing firms in new manufacturing equipment. This type of investment used to be made every three or four years. The standard today is that the reinvestment in equipment occurs every fifteen to eighteen months. This type of continual reinvestment could result in a relative windfall for the community since there is little added cost or impact associated

with existing firms.

The program has provided the following results:

<u>Year</u>	<u>Number of Companies Applied</u>	<u>Amount Rebated</u>
1996	10	373,600.00
1997	17	439,917.00
1998	10	385,845.00
1999	13	329,135.00
2000	14	332,780.00
2001	11	440,905.00
2002	Program not active.	
2003	6	172,093.00
2004	<u>12</u>	<u>168,000.00</u>
Total	92	\$ 2,642,275.00

SUMMARY:

The Rebate Program is an important economic incentive for retaining and supporting local manufacturers. Our manufacturers have remained a very important element of our tax base. In 2003, the program was renewed for 2003 and 2004 for rebates to be paid in 2004 and 2005, respectively. Staff anticipates that a recommendation to continue the program will be presented to Council in late 2005 or early 2006.

ORDINANCE NO. 142, 2005
OF THE COUNCIL OF THE CITY OF FORT COLLINS
APPROPRIATING PRIOR YEAR USE TAX CARRYOVER RESERVES
FOR THE TEMPORARY MANUFACTURING EQUIPMENT
USE TAX REBATE PROGRAM

WHEREAS, in March 1996, the City Council originally approved a Temporary Manufacturing Equipment Use Tax Rebate Program (the "Rebate Program") for use tax paid on manufacturing equipment; and

WHEREAS, the City Council extended that Rebate Program on an annual basis through tax year 1999, and in December 2000, adopted Ordinance No. 173, 2000, approving the Rebate Program for tax years 2000 and 2001; and

WHEREAS, in January of 2004 the City Council again extended the Rebate Program for the use tax years 2003 and 2004 through the adoption of Ordinance No. 174, 2003; and

WHEREAS, the goal of this program is to support the local economic base by providing modest tax relief to manufacturers located in Fort Collins; and

WHEREAS, as a result of the Rebate Program, the City has received twelve applications requesting rebates of 2004 use taxes for a total of approximately \$168,000; and

WHEREAS, the money to rebate these funds is available in the Sales and Use Tax Fund Use Tax Carryover Reserve; and

WHEREAS, Article V, Section 9, of the Charter of the City of Fort Collins permits the City Council to appropriate by ordinance at any time during the fiscal year such funds for expenditure as may be available from reserves accumulated in prior years, notwithstanding that such reserves were not previously appropriated.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS that there is hereby appropriated for expenditure from the Sales and Use Tax Fund Use Tax Carryover Reserve, the sum of ONE HUNDRED SIXTY-EIGHT THOUSAND DOLLARS (\$168,000) for the Manufacturing Equipment Use Tax Rebate Program.

Introduced, considered favorably on first reading, and ordered published this 15th day of November, A.D. 2005, and to be presented for final passage on the 20th day of December, A.D. 2005.

Mayor

ATTEST:

City Clerk

Passed and adopted on final reading this 20th day of December, A.D. 2005.

Mayor

ATTEST:

City Clerk

**City of Fort Collins
 Manufacturer's Rebate Program
 Program Year 2004**

Account #	Company	Per HMS		Per Vendor		Per Vendor		Per Vendor		Calculated Rebate
		Taxable Purchases	Use Tax Paid	Taxable Purchases	Requested Rebate	Requested Rebate %	Requested Rebate %	Eligible		
21630	Advanced Energy	3,793,695.33	113,810.86	1,087,069.64	30,885.28	2.84%	2.00%	2.00%	19,023.72	
35863	Agilent Technologies, Inc.	11,182,117.68	335,463.53	452,438.26	9,048.77	2.00%	2.00%	2.00%	7,917.67	
19266	Anheuser Busch	16,620,741.34	498,622.23	9,302,674.00	143,027.00	1.54%	1.00%	1.00%	119,770.06	
23328	Directed Energy	\$45,765.54	\$1,372.97	32,600.00	652.00	2.00%	2.00%	2.00%	570.50	
26222	New Belgium Brewing	1,355,060.87	42,190.64	123,031.91	2,460.64	2.00%	2.00%	2.00%	2,153.06	
25290	O'Dells Brewing	275,164.82	8,254.93	3,499.95	70.00	2.00%	2.00%	2.00%	61.25	
42783	QLT USA, Inc.	4,993,275.66	149,798.27	307,739.66	184.64	0.06%	2.00%	2.00%	5,385.44	
11001	Ranchway Feeds	90,830.00	2,724.90	127,461.88	2,549.24	2.00%	2.00%	2.00%	2,230.58	
40666	RPM Technology	646,687.43	29,862.44	37,107.48	742.21	2.00%	2.00%	2.00%	649.38	
22486	Value Plastics	557,892.67	16,736.48	121,217.00	3,637.00	3.00%	2.00%	2.00%	2,121.30	
18296	Veeco	355,731.35	10,671.94	51,000.00	1,530.00	3.00%	2.00%	2.00%	892.50	
14751	Woodward Governor*	4,145,456.79	124,363.70	n/a	6,500.00	n/a	2.00%	2.00%	6,500.00	
		44,062,409.48	1,333,872.89	11,645,839.78	201,286.78				167,275.46	

* Woodward has supplied an estimated rebate amount.