



Fiscal Sustainability Key Focus For City Council During Upcoming Worksession on March 13

City of Steamboat Springs Provides Background Tax Policy Reference Information

STEAMBOAT SPRINGS, COLORADO-March 5, 2018-In a week from now, the Steamboat Springs City Council is scheduled to discuss Fiscal Sustainability as it relates to Revenue Diversification for the City of Steamboat Springs as one of the topics during a worksession on Tuesday, March 13, 2018.

The [Tax Policy Background material](#) has been compiled by the City Attorney's Office as a way to inform residents, who may be new to the conversation or want to better understand the city's tax policy. The information provides a valuable baseline which should help individuals as the dialogue develops around this topic during the March 13 meeting and in future sessions.

The reference document outlines the basic elements of tax policy for the City of Steamboat Springs, specifically taxing powers and limitations; existing taxes; tax options; and, the diversity and stability of taxes. A copy of the document can be found at steamboatsprings.net.

Fiscal Sustainability is one of City Council's primary goals for 2018 and an active dialogue early in the process by citizens is going to be key to the community's success. With these resources, individuals do not have to be tax experts to be involved in this important issue facing the city.

Supplementary tax related materials such as the [Tax 101 presentation](#) to City Council by Finance Director, Kim Weber, on January 16, 2018, are also available. Reference materials from previous fiscal sustainability discussions can be found at steamboatsprings.net.

Citizens are encouraged to participate in the work session by attending the meeting in Citizens' Hall, listening on Steamboat Radio KSBS, 105.7-FM or watching on Comcast Channel 6. Audio recordings of council meetings are accessible roughly 48-hours after each meeting at steamboatsprings.net/agendas.

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Tax Policy Background Worksession – March 13, 2018

Taxing Power & Limitations

The City of Steamboat Springs is a home rule city. Colorado home rule cities have the power to impose two basic kinds of taxes, property taxes and excise taxes. A property tax is an annual tax imposed on the assessed value of property. An excise tax is a tax on an event or activity. For example, sales tax is an excise tax on sales transactions.

New taxes or increased tax rates of any kind must be approved by voters.

The Colorado Constitution prohibits Colorado cities from imposing income taxes. A 1992 amendment to the Colorado Constitution known as the Taxpayers Bill of Rights (“TABOR”) also prohibits Colorado cities from taxing transfers of real estate. Real estate transfer taxes imposed prior to 1992 are still valid. The City of Steamboat Springs does not impose a real estate transfer tax.

Colorado home rule cities also have the power to charge fees for services provided. New or increased fees do not have to be approved by voters. However, fees may only be charged to offset the costs of services provided.

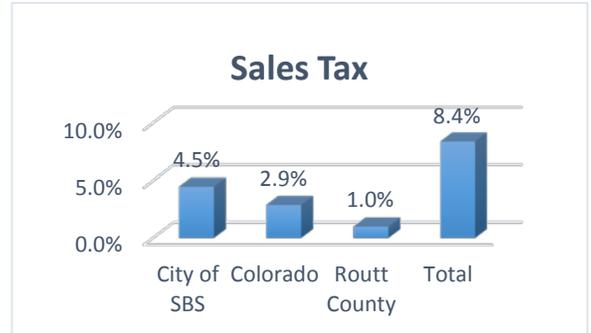
Existing Taxes

The City of Steamboat Springs funds its general operations primarily with a sales and use tax, a telephone occupation tax, and with various fees. The city also receives a share of state revenues from taxes on cigarettes and marijuana products. These revenues fund general operations such as transit, street maintenance, storm drainage, public safety, community development, and parks and recreation services.

Sales in the city are subject to state, city, and county sales tax at a total rate of 8.4%. 4.5% goes to the City of Steamboat Springs, 2.9% to the State of Colorado, and 1% to Routt County.

The City pays 0.5% of the 4.5% city sales tax rate to the Education Fund Board for education uses. Consequently, the effective sales tax rate for City operations is 4%.

The sales tax rates of other Colorado home rule cities range from 1.5% to 7%. The vast majority of Colorado home rule sales tax rates range from 3% to 4.5%. Three Colorado home rule cities impose no sales tax.



The City imposes a use tax at the same rate as the sales tax on construction materials, motor vehicles, and on some factory built housing. The use tax applies to these items when they are purchased outside of the City but used or registered in the City. Revenue from the use tax on motor vehicles goes to the general fund. Revenue from the use tax on building materials goes to the capital improvements program.

Sales in the Local Marketing District, which consists of most commercial and lodging property in Steamboat Springs, are subject to an additional 2% tax on short term lodging. The LMD lodging tax is used to fund seat guarantees and related marketing to improve air service.

The city imposes two special sales taxes. The first is the one half cent sales tax for educational purposes that the City collects for use by the Education Fund Board. These revenues are administered by the Education Fund Board. This tax and the restriction on its use were approved by the voters in 1993.

The second is a 1% tax on short term accommodations. The proceeds from this accommodations tax are restricted to construction of amenities and improvements pursuant to the 1986 accommodations tax ballot question. These revenues were initially dedicated to construction of the Haymaker Golf Course. Currently

these revenues are dedicated to trails and Yampa Street improvements pursuant to a 2013 election. Excess funds have been allocated to expansion of the Steamboat Springs Health and Recreation Association and the Howelsen Ice Arena.

City sales taxes apply to sales of all goods, with certain exceptions required by state law. City sales tax also applies to some services, including short term lodging services. The city's sales tax applies to groceries and utility bills, which are exempt from sales tax in many Colorado communities.

The city also imposes a 1.2% excise tax on the value of new construction. This tax is collected during the building permitting process. Revenues from this tax fund the city's capital improvements program.

The city imposes fees for the various services it provides. The City Council periodically reviews and modifies city fees to ensure that the city recoups the appropriate level of costs for services.

What the City Could Do -- Property Tax

The city does not impose a property tax. There are one hundred home rule cities in the State of Colorado. Of those one hundred cities, ninety-four impose both a property tax and a sales tax. The City of Steamboat Springs is one of six home rule cities in Colorado that does not impose a property tax.

Property owners in Steamboat Springs pay property taxes imposed by government agencies, including the Steamboat Springs RE-2 School District, Routt County, the East Routt Library District, Colorado Mountain College, the Steamboat Springs Cemetery District, the Yampa Valley Housing Authority, the Upper Yampa Water Conservation District, and the Colorado River Water Conservation Board. The property tax revenues of these agencies are not available for use by the city to fund general city operations.

A portion of the property tax revenues of other agencies is diverted to the Steamboat Springs Redevelopment Authority. These property tax revenues are used for improvements in the SSRA plan area.

Property Taxes & Uniformity

Property taxes must be imposed uniformly upon similar classes of property. This means tax rates and assessment methods must be the same. For example, residential property must be taxed at the same rate regardless of whether it is used as a primary residence, second home, or affordable housing unit.

One exception to the uniformity rule is the Gallagher Amendment. The Gallagher Amendment requires total property taxes collected in the state to be divided between residential and commercial property on a 55%/45% basis. Residential property values have increased statewide more than commercial property values since adoption of the Gallagher Amendment. As a result, commercial property is taxed at an effective rate that is approximately four times higher than the effective tax rate on residential property.

What the City Could Do -- Other Taxes

Other Colorado home rule cities imposes a variety of taxes other than sales or property tax. These include the following:

- *Admissions tax or seat tax.* These taxes apply to the price of admission to sporting and cultural events. They can also be applied to the price of ski lift tickets.
- *Occupation tax or head tax.* Occupation taxes apply to certain businesses, such as those that sell alcoholic beverages. Occupation taxes may also apply to employment. Occupation taxes on employment are known as head taxes. They may be imposed on the employer, the employee, or both.
- *Special sales taxes,* such as lodging, vehicle rentals, fuel, or food/beverage.

Diversity & Stability

The city's sales/use tax and the building excise tax are relatively sensitive to general economic conditions. Sales/use tax revenue and building excise tax revenues respond immediately to declines in business and construction activity. Some elements of city sales tax base, such as utilities and groceries, are relatively stable.

Property tax revenues are not as sensitive to general economic conditions. Property values are assessed over a two year assessment cycle. Decreases in property values are not fully reflected in the property tax base for two years. Therefore, property tax revenues are relatively stable during economic downturns compared to sales tax revenues.