

# CITY COUNCIL TO CONSIDER USE TAX BALLOT ISSUE FOR NOVEMBER ELECTION IN ORDER TO MAINTAIN CITY SERVICES

By all accounts, the City of Brighton is growing at a fast pace. In order to provide the services residents have come to expect, and even expand services in the future, the city has explored additional revenue sources and concluded that expanding its existing use tax will not only bring in much needed revenue, but also put it in a comparable position with other cities in the metro area. Without this additional revenue, the city could be faced with the difficult decision to reduce services.

At its Sept. 5 City Council meeting, the Brighton City Council will decide whether to refer a ballot question to the voters at the Nov. 7 election to allow the City to **impose a 3.75 percent use tax on personal property like equipment, fixtures, furnishings, and machinery on which no sales tax has been paid.** The city would immediately apply this new revenue to provide residents with such things as **new and improved park and recreational amenities, weed control and other code enforcement, public safety, refurbished and maintained streets,** as well as general services crucial to keeping the city operating safely and efficiently.

Since 1992, Brighton's population has more than doubled. As a result of this positive growth, the cost of providing essential City services and facilities is also increasing. Brighton has become a regional commercial hub, with increased job opportunities, significant community amenities, retail opportunities, commerce and more. We hear from residents frequently that they want **better and safer streets, pedestrian connectivity and trails, expanded parks and recreational amenities and opportunities, additional code enforcement** and a **safe community.** The Council is dedicated to meeting those expectations to continue to make Brighton a great place to live, work, play and learn. Allowing the city to collect use tax will be a positive step in that direction.

Under TABOR, in order for the City to impose use tax, voter approval is required from its citizens. It is important to note, this measure would only relate to the purchase, storing, using or consuming of tangible personal property within the City of Brighton, purchased at retail for which sales taxes have not been paid. Recognizing that the bulk of the revenue that will be generated from the use tax will come from new businesses, the City Council intends to focus its resources there and enact the necessary legislation to impose the use tax **only on businesses that purchase new equipment, furnishings, machinery, fixtures and other personal property.**

## How will the community benefit by supporting this Use Tax ballot question?

Meeting the needs and expectations of its citizenry is a primary focus of the City Council; this additional revenue will play an important part in continuing to provide and expand a variety of critical and important services that benefit our residents and their quality of life. Some of these services include:



### Public Safety

Maintain the existing level of services and protections provided by the Brighton Police Department and Emergency Management, including patrol and crime prevention, victim advocacy, animal control, community policing and the School Resource Officer program.



### Streets Maintenance & Improvements

Allows for maintenance and improvements to streets, traffic signals, street lights, snow removal, street sweeping, pothole repair and street overlay.



### Parks & Recreation

Maintenance of 960 acres of municipal parkland including neighborhood, community, special use and open space parks, more than 27 miles of trails, 20 athletic fields, two pools, a recreation center, an adult center, 19 playgrounds, as well as a variety of recreational programming for youth, adults and seniors.



### CODE ENFORCEMENT

Focused enforcement of code violations, weed control, graffiti, and other enforcement issues to improve the beauty and livability of our neighborhoods.



### General Services

Planning and community development, essential internal support services.

## FREQUENTLY ASKED QUESTIONS

### • What is USE TAX?

A general use tax is imposed on the use, storage or consumption of tangible personal property or taxable services not subject to the City's sales tax (like supplies, fixtures, furniture and equipment [not inventory]) that is stored, used or consumed within the City upon which no local legally imposed sales and use tax was paid at the time of purchase, lease or rental. Use tax is complementary to the sales tax (that is, if the purchaser has paid sales tax on the purchase, it does not pay use tax on that same purchase), but is paid directly to the City rather than to a vendor collecting on behalf of the City. Sometimes another city's tax is paid on items brought into Brighton. If that city's tax is less than Brighton's, then the difference between the two rates is due as use tax. The use tax does not apply to inventory that is held for resale unless an item is taken from the inventory to be used in the business.

One of the rationales for imposing a use tax is to protect local Brighton sellers who could otherwise be at a competitive disadvantage when out-of-city retailers make sales to Brighton businesses without collecting tax. Use tax also compensates for tax avoided by purchasing in cities with lower tax rates. Together with sales tax, the use tax creates a system that ensures that all businesses contribute fairly to fund City services whether they choose to purchase goods from local or out-of-city retailers.

### • WHO WILL THE USE TAX AFFECT?

Recognizing that the bulk of the revenue that will be generated from the use tax will come from new businesses, the City Council intends to focus its resources there and enact the necessary legislation to impose the use tax **only on businesses that purchase new equipment, furnishings, machinery, fixtures and other personal property.**

### • DOESN'T BRIGHTON ALREADY HAVE A USE TAX?

Yes, but it is limited to construction and building materials purchased outside the City for use, storage or consumption within the City; and, motor or other vehicles purchased at retail outside the City by a resident of the City for the purpose of use, storage or consumption within the City.

### • WHAT ARE SOME EXAMPLES OF HOW AND BY WHOM USE TAX WOULD BE PAYABLE?

1. ABC COMPANY is a manufacturing business, either located in or moving to Brighton that will be purchasing non-construction items including equipment, machinery, a conveyor system, HVAC, lights, office furniture, ladders, fork lifts, bathroom and other fixtures, etc. If this equipment is purchased from a supplier and is not subject to the City's sales tax, ABC COMPANY will be required to pay the City 3.75% use tax.
2. BOB'S GROCERY enters into an agreement to purchase SALLY'S GENERAL STORE. Use tax is due on the fair market value of the furniture, fixtures, supplies and equipment that BOB'S GROCERY acquired with the purchase.

### • WHAT ARE SOME EXAMPLES WHEN USE TAX WOULD NOT NEED TO BE PAID?

1. SLEEP EASY MATTRESS STORE opens in Brighton and has an inventory of 70 different mattresses for sale. Under the City's Code, inventory (for resale) is not subject to use tax. SLEEP EASY would NOT be assessed the 3.75% use tax on that inventory.
2. LOVE TO BE IN BRIGHTON business has been operating in Brighton since 2000 and purchased a considerable amount of equipment and personal property when it opened its business. Because the Use Tax is effective for transactions on or after January 1, 2018, LOVE TO BE will NOT be assessed the 3.75% use tax on its existing equipment and personal property. Note: if it acquires additional equipment or personal property in the future for which it did not pay sales tax, it would be assessed the 3.75% use tax.

### • HOW MUCH REVENUE DOES THE CITY ESTIMATE THE NEW USE TAX WILL GENERATE IN A YEAR?

The additional revenue collected will be affected by the economic trends and growth of businesses in Brighton. Understandably, the amount of revenue will be greater in years when new or existing businesses in Brighton invest in personal property, like equipment and machinery. The Finance staff has estimated that approximately \$4 million of use tax could be collected from businesses in 2018.

### • HAVE OTHER CITIES APPROVED USE TAXES?

Use tax is common among many home-rule municipalities, whose residents have approved similar ballot questions, including the following in the Denver metro area: Northglenn, Thornton, Commerce City, Wheat Ridge, Lafayette, Englewood, Littleton, Arvada, Aurora, Westminster, and Boulder.

### • WHEN WOULD THE USE TAX TAKE EFFECT?

The Use Tax would be effective January 1, 2018, for taxable purchases occurring on or after that date.