

CITY COUNCIL COMMUNICATION



MEETING DATE: August 11, 2020

ITEM NUMBER: 9.C

SECOND READING: August 25, 2020

{{customfields.ResoOrdNumber}}

TYPE OF ITEM: Consent

PRESENTED BY:

Jim Golden, Finance Administration, Jim.Golden@longmontcolorado.gov

SUBJECT/AGENDA TITLE: A Bill For An Ordinance Amending Title 6.08 Of The Longmont Municipal Code On Retail Business Licenses

EXECUTIVE SUMMARY:

The City will be transitioning to a new Sales and Use Tax software system that should provide operational efficiencies and enhanced reporting capability. Preparing for this new system, staff is proposing a change to the City Code that will exempt contractors licensed through Planning & Development Services from having to secure a Retail Business License. These contractors rarely remit sales tax as they instead pay it on building permits. Removing these accounts from our system will control the ongoing costs associated with the new Sales & Use Tax System.

COUNCIL OPTIONS:

1. Approve Ordinance
2. Do not approve Ordinance

RECOMMENDED OPTIONS:

Approve Ordinance

FISCAL IMPACT & FUND SOURCE FOR RECOMMENDED ACTION:

As the ongoing cost for the software system is based on the number of accounts this proposed exemption would reduce the cost at least \$24,000 annually. The cost for the system is from the General Fund.

BACKGROUND AND ISSUE ANALYSIS:

In the 2018 budget the City of Longmont included funding toward the replacement of our sales and use tax system. The system we utilize was built in-house in the 1980's and lacks modern functionality. As the Colorado Department of Revenue (CDOR) was working on identifying a sales and use tax system (SUTS) with the single point of remittance portal, Longmont has awaited that system to first be identified before pursuing our SUTS replacement. Once the CDOR selected MUNIRevs as the SUTS vendor, Longmont began to evaluate the product for use as our SUTS and determined it would meet our functionality

needs.

The proposed ongoing licensing cost for the MUNIRevs SUTS is based on the number of sales tax licenses with the city. Staff found that we have a number of licenses in our system that do not generate any sales and use tax. We purged outdated accounts but also found that we license a large number of building contractors. These contractors are also licensed by Planning & Development Services under Chapter 16.48 of the Municipal Code and they generally pay use tax on building materials at the time a permit is being pulled. Thus, we require contractors to license twice with the city with the sales & use tax license forcing them to file a zero return once a year just to keep the account open.

Staff is proposing that we remove the requirement for building contractors to secure a sales & use tax license. This will remove an unnecessary reporting burden from the contractors and reduce our number of active sales & use tax accounts. In turn, it will also reduce the ongoing cost for the new sales & use tax system. Staff will periodically remind contractors to voluntarily report any sales or use tax due to the City.

ATTACHMENTS:

Ordinance