

ORDINANCE NO. 2025-11

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, ARIZONA, AMENDING THE FLAGSTAFF CITY CODE, TITLE 3, BUSINESS REGULATIONS, BY ADOPTING THE “2025 CITY TAX CODE AMENDMENTS” AS SET FORTH IN THAT PUBLIC RECORD ON FILE WITH THE CITY CLERK RELATING TO CODIFICATION OF VOTER APPROVED SALES TAX RATES AND MODEL CITY TAX CODE UPDATES, AND INCREASING THE USE TAX RATE TO MATCH SALES TAX RATES; PROVIDING FOR REPEAL OF CONFLICTING ORDINANCES, SEVERABILITY, CLERICAL CORRECTIONS, AND ESTABLISHING AN EFFECTIVE DATE

RECITALS:

WHEREAS, the City Charter, Article VI, Section 2(b) provides that the City Council shall have the power to levy a transaction privilege tax subject to approval by a majority of the qualified electors voting in the regularly scheduled General Election;

WHEREAS, the City of Flagstaff has adopted the Model City Tax Code to provide for uniform treatment of transaction privilege and use taxes (Chapter 3-05, Privilege and Excise Taxes, of the City Code, hereafter referred to as the “City Tax Code”);

WHEREAS, on November 3, 2020, a majority of the City qualified electors voting in the general election approved Proposition 436, a continuation of a one percent (1%) local transaction privilege tax rate through June 30, 2035;

WHEREAS, on November 5, 2024 a majority of the City qualified electors voting in the general election approved Proposition 487, a continuation of an additional two percent (2%) local transaction privilege tax rate on hotels, restaurants and bars, through June 30, 2043 (also known as the bed, board, and beverage or “BBB tax”);

WHEREAS, on November 5, 2024 a majority of the City qualified electors voting in the general election approved Proposition 488, a continuation of and increase of a local transaction privilege tax rate from twenty-nine hundredths and five thousandths percent (0.295%) to five tenths of a percent (0.500%) effective July 1, 2025 through June 30, 2040 for purposes of public transit (also known as the “transit tax levy”);

WHEREAS, the City desires to update the City Tax Code to conform with City of Flagstaff voter mandates, and to conform with changes to the Model City Tax Code as maintained by the Arizona Department of Revenue.

ENACTMENTS:

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FLAGSTAFF AS FOLLOWS:

SECTION 1. In General

The Flagstaff City Code, Title 3, Business Regulations, Chapter 3-05, *Privilege and Excise Taxes*,

is hereby amended by adoption of the amendments set forth in that document known as "2025 City Tax Code Amendments," declared a public record by Resolution No. 2025-25 and on file with the City Clerk.

The City Treasurer or designee is hereby directed to immediately provide an executed copy of Ordinance No. 2025-11 and Resolution No. 2025-25 to the Arizona Department of Revenue ("ADOR") for administration of local taxes.

SECTION 2. Use of Tax Revenues.

Tax revenues from the continuation of the one percent (1%) local transaction privilege tax rate approved by a majority of the qualified electors of the City voting in the regularly scheduled General Election on November 3, 2020 (who voted "yes" on Ballot Question/Proposition 436) shall be used for:

- General fund purposes (unrestricted).

Tax revenues generated from the continuation of the additional two percent (2%) local transaction privilege tax rate on hotels, restaurants and bars (also known as the bed, board, and beverage or "BBB tax") approved by a majority of the qualified electors of the City voting in the regularly scheduled General Election on November 5, 2024 (who voted "yes" on Ballot Question/Proposition 487) shall be used for:

- Hospitality purposes as set forth in the City Code, Chapter 3-06 Hospitality Industry Tax Revenues, as may be amended.

Tax revenues generated from the continuation of and increase of the five tenths percent (0.500%) transaction privilege tax rate approved by a majority of the qualified electors of the City voting in the regularly scheduled General Election on November 5, 2024 (who voted "yes" on Ballot Question/Proposition 488), shall be used for:

- Public transit purposes.

SECTION 3. Penalties.

Any person convicted of a violation of this ordinance is guilty of a misdemeanor and shall be fined a sum not to exceed two thousand five hundred dollars (\$2,500.00) and may be sentenced to confinement in the Coconino County jail for a period not to exceed six (6) months for any one offense. Any violation which is continuing in nature shall constitute a separate offense on each successive date the violation continues, unless otherwise provided.

SECTION 4. Repeal of Conflicting Ordinances

All ordinances and parts of ordinances in conflict with the provisions of the code adopted herein are hereby repealed.

SECTION 5. Severability

If any section, subsection, sentence, clause, phrase or portion of this ordinance or any part of the code adopted herein by reference is for any reason held to be invalid or unconstitutional by the

decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

SECTION 6. Clerical Corrections

The City Clerk is hereby authorized to correct clerical and grammatical errors, if any, related to this ordinance, and to make formatting changes appropriate for purposes of clarity, form, or consistency with the Flagstaff City Code.

SECTION 7. Effective Date

This Ordinance shall be effective on July 1, 2025.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 20th day of May, 2025.

MAYOR

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY