

MEMORANDUM

DATE: September 15, 2015

TO: Honorable Mayor and Members of Council

FROM: Glenn Gimbut, City Attorney

Re: Tiered Sales Tax Rates

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It is possible to have a tiered sales tax rate. One that exists, and has existed for a while, is the one in Apache Junction. The tiered Apache Junction sales tax rate, as stated on their website, is as follows:

“Retail where the sale amount exceeds \$2,000 for a single item:

Business Class	City Rate
First \$2,000	2.4%
Any amount over \$2,000	1.4%
All other classifications	2.4%”

Please note the design of this. This is limited to retail sales of goods. (For the purposes of this discussion a sale of a vehicle is in this bracket, but construction is not.) Also it is designed to be a different rate for a single item as opposed to a sale of a group of items. This becomes important when one considers practical application. If it applied to the total amount of the sale as opposed to a sale of a single item, then WalMart, as an example, would have a difficult problem with collection and administration when one customer through the line might be charged one rate and the next customer in line another. Sales of goods of single items end up being items like motor vehicles which are usually sold as a single item to a single customer anyways without the use of a cash register.

We can adopt something like this if we wish. The process would be first to put a notice on our website that we might be changing our sales tax rate. This notice needs to be there for sixty days prior to any action of Council. Then we need to advertise a notice of public hearing in the newspaper at least 15 days prior to a public hearing. (This notice can be published while the other sixty day time clock is running.) Then we hold a public hearing. Then Council can pass an ordinance creating the tiered tax rate. Thirty days after adoption the ordinance can go into effect. (See ARS §42-6054.)

cc: Robert Eads, City Manager
Kay Macuil, Asst. City Attorney
Katie St. Louis, Finance Director