

CITY COUNCIL REPORT



Meeting Date: November 26, 2018
 General Plan Element: *Public Services & Facilities*
 General Plan Goal: *Provide city service facilities to meet the needs of the community*

ACTION

Implementation of Voter-Approved Transportation Tax Increase. Adopt Ordinance No. 4374, amending Appendix C of the Scottsdale Revised Code to increase the privilege tax rate from 1.65% to 1.75% and the use tax rate from 1.45% to 1.55% for a period of ten years, such increase to be effective February 1, 2019.

BACKGROUND

On November 6, 2018 the voters of the city of Scottsdale were presented with the following ballot question:

Question 1. Shall the City Council be authorized to increase the rate of transaction privilege and use taxes in the City of Scottsdale by 0.10 percent (.10%) for a period of ten (10) years to provide funds for transportation improvement projects?

Ballot Question 1 passed with a majority of Scottsdale qualified voters approving the tax rate increase. Passage of Ballot Question 1 requires that City Council consider adopting Ordinance No. 4374, adopting amendments to Sections 405, 410, 415, 416, 417, 420, 425, 427, 430, 435, 444, 445, 450, 455, 460, 462, 470, 475, 480, 485, and 610 of Appendix C of the Scottsdale Revised Code. (The specifics of the changes are outlined in Attachment 1.) Adopting Ordinance No. 4374 will increase the privilege tax rate from 1.65% to 1.75% and the use tax rate from 1.45% to 1.55% for a period of ten years for transportation improvement projects, with an expected effective date for the increase of February 1, 2019.

ANALYSIS & ASSESSMENT

It is expected that adoption of Ordinance No. 4374 will result in approximately \$9.6 million additional revenue annually. These funds will be used exclusively for transportation improvement projects. Funding of the projects in the Arterial Life Cycle Program (ALCP) are eligible for 70% matching dollars. These dollars are available from a countywide sales tax fund (to which Scottsdale taxpayers have already contributed) if the City pays 30% of project costs. If the City does not fund

its local portion, approximately \$170 million of countywide sales tax dollars designated for Scottsdale projects, would be made available to other communities starting in 2020.

Information on the passage of the transaction privilege sales and use tax increase for Scottsdale will be communicated to the Arizona Department of Revenue (DOR), as required under the intergovernmental agreement between the City and DOR. The anticipated date that the tax increase will be implemented is February 1, 2019.

Recent Staff Action

Staff from Business Services' Tax Audit section was involved in public postings and the planned implementation of the tax increase.

Community Involvement

Information about the ballot measure was presented to the qualified voters of the City of Scottsdale in an Information Pamphlet. The Pamphlet was mailed to the households of all registered voters prior to the start of early voting and was available on the City's website. Information about the possible tax increase was posted in the Public Notice section of the City's home page on September 10th, including a table of the proposed rate increase by business category and a written report of data supporting the proposed increase, which is more than 60 days before consideration of this action in compliance with A.R.S. § 9-499.15. (Attachment 2.) The City also published notice of this hearing in the Arizona Republic on November 9th, 10th, 11th, and 12th in compliance with A.R.S. § 42-6054. (Attachment 3.) The notice of intent required by A.R.S. § 9-499.15 was posted on the City's website and distributed through the City's social media accounts. (Attachment 4.)

RESOURCE IMPACTS

Staffing, Workload Impact

Adoption of this ordinance will not significantly impact staffing or workload requirements. Written and online documentation will need to be updated with the new rates.

OPTIONS & STAFF RECOMMENDATION

Recommended Approach

Adopt Ordinance No. 4374 to implement the tax rate increase approved by the qualified voters of Scottsdale at the November 6, 2018 election, such increase to be effective February 1, 2019.

Description of Option B

Not adopt Ordinance No. 4374 to implement the tax rate increase approved by the qualified voters of Scottsdale at the November 6, 2018 election.

RESPONSIBLE DEPARTMENT(S)

City Treasurer's Office

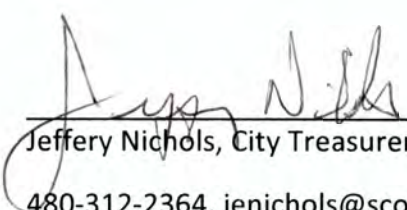
Business Services Division, Tax Audit Section

STAFF CONTACT(S)

Jeff Nichols, City Treasurer jenichols@scottsdaleaz.gov

Terry Hoglund, Business Services Manager, thoglund@scottsdaleaz.gov

APPROVED BY



Jeffery Nichols, City Treasurer
480-312-2364, jenichols@scottsdaleaz.gov

11/19/18

Date



Jim Thompson, City Manager
480-312-2811 jthompson@scottsdaleaz.gov

11/19/18

Date

ATTACHMENTS

1. Ordinance No. 4374
2. 60-day rate increase website posting
3. 15-day newspaper publication
4. 15-day social media and website posting

ORDINANCE NO. 4374

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SCOTTSDALE, MARICOPA COUNTY, ARIZONA, AMENDING APPENDIX C OF THE SCOTTSDALE REVISED CODE TO INCREASE THE PRIVILEGE TAX RATE TO ONE AND SEVEN AND ONE-HALF TENTHS PERCENT (1.75%), AND TO INCREASE THE USE TAX RATE TO ONE AND FIVE AND ONE-HALF TENTHS PERCENT (1.55%) FOR A PERIOD OF TEN (10) YEARS; AND PROVIDING FOR THE EFFECTIVE DATE OF THE INCREASE.

WHEREAS, at the November 6, 2018 election, a majority of voters approved Question 1, increasing the rate of transaction privilege and use taxes in the City of Scottsdale by one tenth percent (0.10%) for a period of ten (10) years to provide funds for transportation improvement projects;

WHEREAS, accordingly, it is necessary to make certain changes to Scottsdale Revised Code, Appendix C, Privilege and Excise Taxes, Article IV, Privilege Taxes, and Article VI, Use Tax;

BE IT ORDAINED by the Council of the City of Scottsdale, Maricopa County, Arizona, as follows:

SECTION 1. **Section 405** of Appendix C of the Scottsdale Revised Code is hereby amended to read as follows with new language in shaded format and all deleted language in strikethrough.

Sec. 405. Advertising.

- (a) The tax rate shall be at an amount equal to one and ~~six~~ ~~seven~~ and one-half tenths percent ~~(1.65%)~~ ~~(1.75%)~~ of the gross income from the business activity upon every person engaging or continuing in the business of "local advertising" by billboards, direct mail, radio, television, or by any other means. However, commission and fees retained by an advertising agency shall not be includable in gross income from "local advertising". All delivery or disseminating of information directly to the public or any portion thereof for a consideration shall be considered "local advertising", except the following:
- (1) The advertising of a product or service which is sold or provided both within and without the state by more than one "commonly designated business entity" within the state, and in which the advertisement names either no "commonly designated business entity" within the state or more than one "commonly designated business entity". "Commonly designated business entity" means any person selling or providing any product or service to its customers under a common business name or style, even though there may be more than one legal entity conducting business functions using the same or substantially the same business name or style by virtue of a franchise, license, or similar agreement.
 - (2) The advertising of a facility or of a service or activity in which neither the facility nor a business site carrying on such service or activity is located within the state.
 - (3) The advertising of a product which may only be purchased from an out-of-state supplier.
 - (4) Political advertising for United States Presidential and Vice Presidential candidates only.

- (5) Advertising by means of product purchase coupons redeemable at any retail establishment carrying such product but not product coupons redeemable only at a single commonly designated business entity.
- (6) Advertising transportation services where a substantial portion of the transportation activity of the business entity advertised involves interstate or foreign carriage.

(b) (Reserved)

SECTION 2. Section 410 of Appendix C of the Scottsdale Revised Code is hereby amended to read as follows with new language in shaded format and all deleted language in strikethrough.

Sec. 410. Amusements, exhibitions, and similar activities.

(a) The tax rate shall be at an amount equal to one and ~~six~~ **seven** and one-half tenths ~~(1.65)~~ **(1.75)** percent of the gross income from the business activity upon every person engaging or continuing in the business of providing amusement that begins in the City or takes place entirely within the City, which includes the following type or nature of businesses:

- (1) Operating or conducting theaters, movies, operas, shows of any type or nature, exhibitions, concerts, carnivals, circuses, amusement parks, menageries, fairs, races, contests, games, billiard or pool parlors, bowling alleys, skating rinks, tennis courts, golf courses, video games, pinball machines, public dances, dance halls, sports events, jukeboxes, batting and driving ranges, animal rides, or any other business charging admission for exhibition, amusement, or entertainment.

(2) (Reserved)

(b) Deductions or exemptions. The gross proceeds of sales or gross income derived from the following sources is exempt from the tax imposed by this section:

- (1) (Reserved).
- (2) Amounts retained by the Arizona Exposition and State Fair Board from ride ticket sales at the annual Arizona State Fair.
- (3) Income received from a hotel business subject to tax under Section 444, if all of the following apply:
 - (a) The hotel business receives gross income from a customer for the specific business activity otherwise subject to amusement tax.
 - (b) The consideration received by the hotel business is equal to or greater than the amount to be deducted under this subsection.
 - (c) The hotel business has provided an exemption certificate to the person engaging in business under this section.
- (4) Income that is specifically included as the gross income of a business activity upon which another section of this article imposes a tax, that is separately stated to the customer and is taxable to the person engaged in that classification not to exceed consideration paid to the person conducting the activity.
- (5) Income from arranging transportation connected to amusement activity that is separately stated to the customer, not to exceed consideration paid to the transportation business.

(c) The tax imposed by this section shall not include arranging an amusement activity as a service to a person's customers if that person is not otherwise engaged in the business of operating or conducting an amusement themselves or through others. This exception does not apply to businesses that operate or conduct amusements pursuant to customer orders and send the billings

and receive the payments associated with that activity, including when the amusement is performed by third party independent contractors. For the purposes of this paragraph, "arranging" includes billing for or collecting amusement charges from a person's customers on behalf of the persons providing the amusement.

SECTION 3. **Section 415** of Appendix C of the Scottsdale Revised Code is hereby amended to read as follows with new language in shaded format and all deleted language in strikethrough.

Sec. 415. Construction contracting: construction contractors.

(a) The tax rate shall be at an amount equal to one and ~~six~~ ~~seven~~ and one-half tenths percent ~~(1.65%)~~ ~~(1.75%)~~ of the gross income from the business upon every construction contractor engaging or continuing in the business activity of construction contracting within the City.

- (1) However, gross income from construction contracting shall not include charges related to groundwater measuring devices required by A.R.S. Section 45-604.
- (2) (Reserved)
- (3) Gross income from construction contracting shall not include gross income from the sale of manufactured buildings taxable under Section 427.
- (4) For taxable periods beginning from and after July 1, 2008, the portion of gross proceeds of sales or gross income attributable to the actual direct costs of providing architectural or engineering services that are incorporated in a contract is not subject to tax under this Section. For the purposes of this subsection, "Direct Costs" means the portion of the actual costs that are directly expended in providing architectural or engineering services

(b) Deductions and Exemptions.

- (1) Gross income derived from acting as a "subcontractor" shall be exempt from the tax imposed by this Section.
- (2) All construction contracting gross income subject to the tax and not deductible herein shall be allowed a deduction of thirty-five percent (35%).
- (3) The gross proceeds of sales or gross income attributable to the purchase of machinery, equipment or other tangible personal property that is exempt from or deductible from privilege or use tax under:
 - (A) Section 465, Subsections (g) and (p)
 - (B) Section 660, Subsections (g) and (p)

Shall be exempt or deductible, respectively, from the tax imposed by this Section.

- (4) The gross proceeds of sales or gross income that is derived from a contract entered into for the installation, assembly, repair or maintenance of income-producing capital equipment, as defined in Section 110, that is deducted from the retail classification pursuant to Section 465(g) that does not become a permanent attachment to a building, highway, road, railroad, excavation or manufactured building or other structure, project, development or improvement shall be exempt from the tax imposed by this section. If the ownership of the realty is separate from the ownership of the income-producing capital equipment, the determination as to permanent attachment shall be made as if the ownership was the same. The deduction provided in this paragraph does not include gross proceeds of sales or gross income from that portion of any contracting activity which consists of the development of, or

modification to, real property in order to facilitate the installation, assembly, repair, maintenance or removal of the income-producing capital equipment. For purposes of this paragraph, "permanent attachment" means at least one of the following:

- (A) To be incorporated into real property.
 - (B) To become so affixed to real property that it becomes part of the real property.
 - (C) To be so attached to real property that removal would cause substantial damage to the real property from which it is removed.
- (5) The gross proceeds of sales or gross income received from a contract for the construction of an environmentally controlled facility for the raising of poultry for the production of eggs and the sorting, or cooling and packaging of eggs shall be exempt from the tax imposed under this Section.
- (6) The gross proceeds of sales or gross income that is derived from the installation, assembly, repair or maintenance of cleanrooms that are deducted from the tax base of the retail classification pursuant to Section 465, Subsection (g) shall be exempt from the tax imposed under this Section.
- (7) The gross proceeds of sales or gross income that is derived from a contract entered into with a person who is engaged in the commercial production of livestock, livestock products or agricultural, horticultural, viticultural or floricultural crops or products in this state for the construction, alteration, repair, improvement, movement, wrecking or demolition or addition to or subtraction from any building, highway, road, excavation, manufactured building or other structure, project, development or improvement used directly and primarily to prevent, monitor, control or reduce air, water or land pollution shall be exempt from the tax imposed under this Section.
- (8) The gross proceeds of sales or gross income received from a post-construction contract to perform post-construction treatment of real property for termite and general pest control, including wood destroying organisms, shall be exempt from tax imposed under this Section.
- (9) Through December 31, 2009, the gross proceeds of sales or gross income received from a contract for constructing any lake facility development in a commercial enhancement reuse district that is designated pursuant to A.R.S. § 9-499.08 if the contractor maintains the following records in a form satisfactory to the Arizona Department of Revenue and to the City:
- (A) The certificate of qualification of the lake facility development issued by the City pursuant to A.R.S. § 9-499.08, subsection D.
 - (B) All state and local transaction privilege tax returns for the period of time during which the contractor received gross proceeds of sales or gross income from a contract to construct a lake facility development in a designated commercial enhancement reuse district, showing the amount exempted from state and local taxation.
 - (C) Any other information considered to be necessary.
- (10) Any amount attributable to development fees that are incurred in relation to the construction, development or improvement of real property and paid by the taxpayer as defined in the Model City Tax Code or by a contractor providing services to the taxpayer. For the purposes of this paragraph:

- (A) The attributable amount shall not exceed the value of the development fees actually imposed.
 - (B) The attributable amount is equal to the total amount of development fees paid by the taxpayer or by a contractor providing services to the taxpayer and the total development fees credited in exchange for the construction of, contribution to or dedication of real property for providing public infrastructure, public safety or other public services necessary to the development. The real property must be the subject of the development fees.
 - (C) "Development Fees" means fees imposed to offset capital costs of providing public infrastructure, public safety or other public services to a development and authorized pursuant to A.R.S. Section 9-463.05, A.R.S. Section 11-1102 or A.R.S. Title 48 regardless of the jurisdiction to which the fees are paid.
- (11) For taxable periods beginning from and after July 1, 2008 and ending before January 1, 2017, the gross proceeds of sales or gross income derived from a contract to provide and install a solar energy device. The contractor shall register with the Department of Revenue as a solar energy contractor. By registering, the contractor acknowledges that it will make its books and records relating to sales of solar energy devices available to the Department of Revenue and the City, as applicable, for examination.
- (c) "Subcontractor" means a construction contractor performing work for either:
- (1) A construction contractor who has provided the subcontractor with a written declaration that he is liable for the tax for the project and has provided the subcontractor his City Privilege License number.
 - (2) An owner-builder who has provided the subcontractor with a written declaration that:
 - (A) The owner-builder is improving the property for sale; and
 - (B) The owner-builder is liable for the tax for such construction contracting activity; and
 - (C) The owner-builder has provided the contractor his City Privilege License number.
 - (3) A person selling new manufactured buildings who has provided the subcontractor with a written declaration that he is liable for the tax for the site preparation and set-up; and provided the subcontractor his City Privilege License number.

Subcontractor also includes a construction contractor performing work for another subcontractor as defined above.

SECTION 4. **Section 416** of Appendix C of the Scottsdale Revised Code is hereby amended to read as follows with new language in shaded format and all deleted language in strikethrough.

Sec. 416. Construction contracting: speculative builders.

- (a) The tax shall be equal to one and ~~six~~ seven and one-half tenths percent (~~4.65%~~) (4.75%) of the gross income from the business activity upon every person engaging or continuing in business as a speculative builder within the City.
 - (1) The gross income of a speculative builder considered taxable shall include the total selling price from the sale of improved real property at the time of closing of escrow or transfer of title.

- (2) "Improved Real Property" means any real property:
- (A) Upon which a structure has been constructed; or
 - (B) Where improvements have been made to land containing no structure (such as paving or landscaping); or
 - (C) Which has been reconstructed as provided by Regulation; or
 - (D) Where water, power, and streets have been constructed to the property line.
- (3) "Sale of Improved Real Property" includes any form of transaction, whether characterized as a lease or otherwise, which in substance is a transfer of title of, or equitable ownership in, improved real property and includes any lease of the property for a term of thirty (30) years or more (with all options for renewal being included as a part of the term). In the case of multiple unit projects, "sale" refers to the sale of the entire project or to the sale of any individual parcel or unit.
- (4) "Partially Improved Residential Real Property", as used in this Section, means any improved real property, as defined in subsection (a)(2) above, being developed for sale to individual homeowners, where the construction of the residence upon such property is not substantially complete at the time of the sale.

(b) Exclusions.

- (1) In cases involving reconstruction contracting, the speculative builder may exclude from gross income the prior value allowed for reconstruction contracting in determining his taxable gross income, as provided by Regulation.
- (2) Neither the cost nor the fair market value of the land which constitutes part of the improved real property sold may be excluded or deducted from gross income subject to the tax imposed by this Section.
- (3) (Reserved)
- (4) A speculative builder may exclude gross income from the sale of partially improved residential real property as defined in (a)(4) above to another speculative builder only if all of the following conditions are satisfied:
- (A) The speculative builder purchasing the partially improved residential real property has a valid City privilege license for construction contracting as a speculative builder; and
 - (B) At the time of the transaction, the purchaser provides the seller with a properly completed written declaration that the purchaser assumes liability for and will pay all privilege taxes which would otherwise be due the City at the time of sale of the partially improved residential real property; and
 - (C) The seller also:
 - (i) Maintains proper records of such transactions in a manner similar to the requirements provided in this chapter relating to sales for resale; and
 - (ii) Retains a copy of the written declaration provided by the buyer for the transaction; and

- (iii) Is properly licensed with the City as a speculative builder and provides the City with the written declaration attached to the City privilege tax return where he claims the exclusion.
 - (5) For taxable periods beginning from and after July 1, 2008, the portion of gross proceeds of sales or gross income attributable to the actual direct costs of providing architectural or engineering services that are incorporated in a contract is not subject to tax under this Section. For the purposes of this subsection, "Direct Costs" means the portion of the actual costs that are directly expended in providing architectural or engineering services.
- (c) Tax liability for speculative builders occurs at close of escrow or transfer of title, whichever occurs earlier, and is subject to the following provisions relating to exemptions, deductions and tax credits:
 - (1) Exemptions.
 - (A) The gross proceeds of sales or gross income attributable to the purchase of machinery, equipment or other tangible personal property that is exempt from or deductible from privilege or use tax under:
 - (i) Section 465, Subsections (g) and (p)
 - (ii) Section 660, Subsections (g) and (p)
 Shall be exempt or deductible, respectively, from the tax imposed by this Section.
 - (B) The gross proceeds of sales or gross income received from a contract for the construction of an environmentally controlled facility for the raising of poultry for the production of eggs and the sorting, or cooling and packaging of eggs shall be exempt from the tax imposed under this Section.
 - (C) The gross proceeds of sales or gross income that is derived from the installation, assembly, repair or maintenance of cleanrooms that are deducted from the tax base of the retail classification pursuant to Section 465, Subsection (g) shall be exempt from the tax imposed under this Section.
 - (D) The gross proceeds of sales or gross income that is derived from a contract entered into with a person who is engaged in the commercial production of livestock, livestock products or agricultural, horticultural, viticultural or floricultural crops or products in this state for the construction, alteration, repair, improvement, movement, wrecking or demolition or addition to or subtraction from any building, highway, road, excavation, manufactured building or other structure, project, development or improvement used directly and primarily to prevent, monitor, control or reduce air, water or land pollution shall be exempt from the tax imposed under this Section.
 - (E) Any amount attributable to development fees that are incurred in relation to the construction, development or improvement of real property and paid by the taxpayer as defined in the Model City Tax Code or by a contractor providing services to the taxpayer shall be exempt from the tax imposed under this section. For the purposes of this paragraph:
 - (i) The attributable amount shall not exceed the value of the development fees actually imposed.
 - (ii) The attributable amount is equal to the total amount of development fees paid by the taxpayer or by a contractor providing services to the taxpayer and the total development fees credited in exchange for the construction of,

contribution to or dedication of real property for providing public infrastructure, public safety or other public services necessary to the development. The real property must be the subject of the development fees.

- (iii) "Development Fees" means fees imposed to offset capital costs of providing public infrastructure, public safety or other public services to a development and authorized pursuant to A.R.S. Section 9-463.05, A.R.S. Section 11-1102 or A.R.S. Title 48 regardless of the jurisdiction to which the fees are paid.

(2) Deductions.

- (A) All amounts subject to the tax shall be allowed a deduction in the amount of thirty-five percent (35%).
- (B) The gross proceeds of sales or gross income that is derived from a contract entered into for the installation, assembly, repair or maintenance of income - producing capital equipment, as defined in Section 110, that is deducted from the retail classification pursuant to Section 465(g), that does not become a permanent attachment to a building, highway, road, railroad, excavation or manufactured building or other structure, project, development or improvement shall be exempt from the tax imposed by this section. If the ownership of the realty is separate from the ownership of the income-producing capital equipment, the determination as to permanent attachment shall be made as if the ownership was the same. The deduction provided in this paragraph does not include gross proceeds of sales or gross income from that portion of any contracting activity which consists of the development of, or modification to, real property in order to facilitate the installation, assembly, repair, maintenance or removal of the income-producing capital equipment. For purposes of this paragraph, "permanent attachment" means at least one of the following:
 - (i) To be incorporated into real property.
 - (ii) To become so affixed to real property that it becomes part of the real property.
 - (iii) To be so attached to real property that removal would cause substantial damage to the real property from which it is removed.
- (C) For taxable periods beginning from and after July 1, 2008 and ending before January 1, 2017, the gross proceeds of sales or gross income derived from a contract to provide and install a solar energy device. The contractor shall register with the Department of Revenue as a solar energy contractor. By registering, the contractor acknowledges that it will make its books and records relating to sales of solar energy devices available to the Department of Revenue and the City, as applicable, for examination.

(3) Tax Credits.

The following tax credits are available to owner-builders or speculative builders, not to exceed the tax liability against which such credits apply, provided such credits are documented to the satisfaction of the Tax Collector:

- (A) A tax credit equal to the amount of City Privilege or Use Tax, or the equivalent excise tax, paid directly to a taxing jurisdiction or as a separately itemized charge paid directly to the vendor with respect to the tangible personal property incorporated into the said structure or improvement to real property undertaken by the owner-builder or speculative builder.

- (B) A tax credit equal to the amount of Privilege Taxes paid to this City, or charged separately to the speculative builder, by a construction contractor, on the gross income derived by said person from the construction of any improvement to the real property.
- (C) No credits provided herein may be claimed until such time that the gross income against which said credits apply is reported.

SECTION 5. Section 417 of Appendix C of the Scottsdale Revised Code is hereby amended to read as follows with new language in shaded format and all deleted language in strikethrough.

Sec. 417. Construction contracting: owner-builders who are not speculative builders.

- (a) At the expiration of twenty-four (24) months after improvement to the property is substantially complete, the tax liability for an owner-builder who is not a speculative builder shall be at an amount equal to one and ~~six~~ ^{seven} and one-half tenths percent (~~1.65%~~ ^{1.75%}) of:
 - (1) The gross income from the activity of construction contracting upon the real property in question which was realized by those construction contractors to whom the owner-builder provided written declaration that they were not responsible for the taxes as prescribed in Subsection 415(c)(2); and
 - (2) The purchase of tangible personal property for incorporation into any improvement to real property, computed on the sales price.
- (b) For taxable periods beginning from and after July 1, 2008, the portion of gross proceeds of sales or gross income attributable to the actual direct costs of providing architectural or engineering services that are incorporated in a contract is not subject to tax under this Section. For the purposes of this subsection, "Direct Costs" means the portion of the actual costs that are directly expended in providing architectural or engineering services.
- (c) The tax liability of this Section is subject to the following provisions relating to exemptions, deductions and tax credits:
 - (1) Exemptions
 - (A) The gross proceeds of sales or gross income attributable to the purchase of machinery, equipment or other tangible personal property that is exempt from or deductible from privilege or use tax under:
 - (i) Section 465, Subsections (g) and (p)
 - (ii) Section 660, Subsections (g) and (p)

Shall be exempt or deductible, respectively, from the tax imposed by this section.
 - (B) The gross proceeds of sales or gross income received from a contract for the construction of an environmentally controlled facility for the raising of poultry for the production of eggs and the sorting, or cooling and packaging of eggs shall be exempt from the tax imposed under this Section.
 - (C) The gross proceeds of sales or gross income that is derived from the installation, assembly, repair or maintenance of cleanrooms that are deducted from the tax base of the retail classification pursuant to Section 465, Subsection (g) shall be exempt from the tax imposed under this Section.

- (D) The gross proceeds of sales or gross income that is derived from a contract entered into with a person who is engaged in the commercial production of livestock, livestock products or agricultural, horticultural, viticultural or floricultural crops or products in this state for the construction, alteration, repair, improvement, movement, wrecking or demolition or addition to or subtraction from any building, highway, road, excavation, manufactured building or other structure, project, development or improvement used directly and primarily to prevent, monitor, control or reduce air, water or land pollution shall be exempt from the tax imposed under this Section.
- (E) Any amount attributable to development fees that are incurred in relation to the construction, development or improvement of real property and paid by the taxpayer as defined in the Model City Tax Code or by a contractor providing services to the taxpayer shall be exempt from the tax imposed under this section. For the purposes of this paragraph:
 - (i) The attributable amount shall not exceed the value of the development fees actually imposed.
 - (ii) The attributable amount is equal to the total amount of development fees paid by the taxpayer or by a contractor providing services to the taxpayer and the total development fees credited in exchange for the construction of, contribution to or dedication of real property for providing public infrastructure, public safety or other public services necessary to the development. The real property must be the subject of the development fees.
 - (iii) "Development Fees" means fees imposed to offset capital costs of providing public infrastructure, public safety or other public services to a development and authorized pursuant to A.R.S. Section 9-463.05, A.R.S. Section 11-1102 or A.R.S. Title 48 regardless of the jurisdiction to which the fees are paid.

(2) Deductions.

- (A) All amounts subject to the tax shall be allowed a deduction in the amount of thirty-five percent (35%).
- (B) The gross proceeds of sales or gross income that is derived from a contract entered into for the installation, assembly, repair or maintenance of income -producing capital equipment, as defined in Section 110, that is deducted from the retail classification pursuant to Section 465(g), that does not become a permanent attachment to a building, highway, road, railroad, excavation or manufactured building or other structure, project, development or improvement shall be deducted from the tax imposed by this Section. If the ownership of the realty is separate from the ownership of the income-producing capital equipment, the determination as to permanent attachment shall be made as if the ownership was the same. The deduction provided in this paragraph does not include gross proceeds of sales or gross income from that portion of any contracting activity which consists of the development of, or modification to, real property in order to facilitate the installation, assembly, repair, maintenance or removal of the income-producing capital equipment. For purposes of this paragraph, "permanent attachment" means at least one of the following:
 - (i) To be incorporated into real property.
 - (ii) To become so affixed to real property that it becomes part of the real property.
 - (iii) To be so attached to real property that removal would cause substantial damage to the real property from which it is removed.

- (C) For taxable periods beginning from and after July 1, 2008 and ending before January 1, 2017, the gross proceeds of sales or gross income derived from a contract to provide and install a solar energy device. The contractor shall register with the Department of Revenue as a solar energy contractor. By registering, the contractor acknowledges that it will make its books and records relating to sales of solar energy devices available to the Department of Revenue and the City, as applicable, for examination.

(3) Tax Credits.

The following tax credits are available to owner-builders and speculative builders, not to exceed the tax liability against which such credits apply, provided such credits are documented to the satisfaction of the Tax Collector:

- (A) Tax credit equal to the amount of City Privilege or Use Tax, or the equivalent excise tax, paid directly to a taxing jurisdiction or as a separately itemized charge paid directly to the vendor with respect to the tangible personal property incorporated into the said structure or improvement to real property undertaken by the owner-builder or speculative builder.
 - (B) A tax credit equal to the amount of Privilege Taxes paid to this City, or charged separately to the speculative builder, by a construction contractor, on the gross income derived by said person from the construction of any improvement to the real property.
 - (C) No credits provided herein may be claimed until such time that the gross income against which said credits apply is reported.
- (c) The limitation period for the assessment of taxes imposed by this Section is measured based upon when such liability is reportable, that is, in the reporting period that encompasses the twenty-fifth (25th) month after said unit or project was substantially complete. Interest and penalties, as provided in Section 540, will be based on reportable date.
- (d) (Reserved)

SECTION 6. Section 420 of Appendix C of the Scottsdale Revised Code is hereby amended to read as follows with new language in shaded format and all deleted language in strikethrough.

Sec. 420. Feed at wholesale.

- (a) The tax rate shall be at an amount equal to one and ~~six~~ **seven** and one-half tenths percent (~~1.65%~~ **(1.75%)**) of the gross income from the business activity upon every person engaging or continuing in the business of the sale of feed, salt, vitamins, and other additives to feed, to persons engaged in the raising or feeding of livestock or poultry purchased or raised for slaughter, with no deduction for the income derived from the "resale" of such feed.
- (b) The tax imposed by this Section shall not apply to:
 - (1) Out-of-City sales.
 - (2) Out-of-State sales

SECTION 7. Section 425 of Appendix C of the Scottsdale Revised Code is hereby amended to read as follows with new language in shaded format and all deleted language in strikethrough.

Sec. 425. Job printing.

- (a) The tax rate shall be at an amount equal to one and ~~six~~ ~~seven~~ and one-half tenths percent ~~(1.65%)~~ ~~(1.75%)~~ of the gross income from the business activity upon every person engaging or continuing in the business of job printing, which includes engraving of printing plates, embossing, copying, micrographics, and photo reproduction.
- (b) The tax imposed by this Section shall not apply to:
 - (1) Job printing purchased for the purpose of resale by the purchaser in the form supplied by the job printer.
 - (2) Out-of-City sales.
 - (3) Out-of-State sales.
 - (4) Job printing of newspapers, magazines, or other periodicals or publications for a person who is subject to the tax imposed by subsection 435(a) or an equivalent excise tax; provided further that said person is properly licensed by the taxing jurisdiction at the location of publication.
 - (5) Sales of job printing to a qualifying hospital, qualifying community health center or a qualifying health care organization, except where the property sold is for use in activities resulting in gross income from unrelated business income as that term is defined in 26 U.S.C. Section 512.
 - (6) (Reserved)

SECTION 8. **Section 427** of Appendix C of the Scottsdale Revised Code is hereby amended to read as follows with new language in shaded format and all deleted language in strikethrough.

Sec. 427. Manufactured buildings.

- (a) The tax rate shall be at an amount equal to one and ~~six~~ ~~seven~~ and one-half tenths percent ~~(1.65%)~~ ~~(1.75%)~~ of the gross income, including site preparation, moving to the site, and/or set-up, upon every person engaging or continuing in the business activity of selling manufactured buildings within the City. Such business activity is deemed to occur at the business location of the seller where the purchaser first entered into the contract to purchase the manufactured building.
- (b) Sales of used manufactured buildings are not taxable.
- (c) The sale prices of furniture, furnishings, fixtures, appliances, and attachments that are not incorporated as component parts of or attached to a manufactured building are exempt from the tax imposed by this Section. Sales of such items are subject to the tax under Section 460.
- (d) Under this Section, a trade-in will not be allowed for the purpose of reducing the tax liability.

SECTION 9. **Section 430** of Appendix C of the Scottsdale Revised Code is hereby amended to read as follows with new language in shaded format and all deleted language in strikethrough.

Sec. 430. Timbering and other extraction.

- (a) The tax rate shall be at an amount equal to one and ~~six~~ ~~seven~~ and one-half tenths percent ~~(1.65%)~~ ~~(1.75%)~~ of the gross income from the business activity upon every person engaging or continuing in the following businesses:

- (1) Felling, producing, or preparing timber or any product of the forest for sale, profit, or commercial use.
- (2) Extracting, refining, or producing any oil or natural gas for sale, profit, or commercial use.
- (b) The rate specified in subsection (a) above shall be applied to the value of the entire product extracted, refined, produced, or prepared for sale, profit, or commercial use, when such activity occurs within the City, regardless of the place of sale of the product or the fact that delivery may be made to a point without the City or without the State.
- (c) If any person engaging in any business classified in this Section ships or transports products, or any part thereof, out of the State without making sale of such products, or ships his products outside of the State in an unfinished condition, the value of the products or articles in the condition or form in which they existed when transported out-of-State and before they enter interstate commerce shall be the basis for assessment of the tax imposed by this Section.
- (d) (Reserved)

SECTION 10. **Section 435** of Appendix C of the Scottsdale Revised Code is hereby amended to read as follows with new language in shaded format and all deleted language in strikethrough.

Sec. 435. Publishing and periodicals distribution.

- (a) The tax rate shall be at an amount equal to one and ~~six~~ seven and one-half tenths percent (~~4.65%~~) (4.75%) of the gross income from the business activity upon every person engaging or continuing in the business activity of:
 - (1) Publication of newspapers, magazines, or other periodicals when published within the City, measured by the gross income derived from notices, subscriptions, and local advertising as defined in Section 405. In cases where the location of publication is both within and without this State, gross income subject to the tax shall refer only to gross income derived from residents of this State or generated by permanent business locations within this State.
 - (2) Distribution or delivery within the City of newspapers, magazines, or other periodicals not published within the City, measured by the gross income derived from subscriptions.
- (b) "Location of Publication" is determined by:
 - (1) Location of the editorial offices of the publisher, when the physical printing is not performed by the publisher; or
 - (2) Location of either the editorial offices or the printing facilities, if the publisher performs his own physical printing.
- (c) "Subscription income" shall include all circulation revenue of the publisher except amounts retained by or credited to carriers or other vendors as compensation for delivery within the State by such carriers or vendors, and further except sales of published items, directly or through distributors, for the purpose of resale, to retailers subject to the Privilege Tax on such resale.
- (d) "Circulation", for the purpose of measurement of gross income subject to the tax, shall be considered to occur at the place of delivery of the published items to the subscriber or intended reader irrespective of the location of the physical facilities or personnel of the publisher. However, delivery by the United States mails shall be considered to have occurred at the location of publication.

- (e) Allocation of taxes between cities and towns. In cases where publication or distribution occurs in more than one city or town, the measurement of gross income subject to tax by the City shall include:
- (1) That portion of the gross income from publication which reflects the ratio of circulation within this City to circulation in all incorporated cities and towns in this State having substantially similar provisions; plus
 - (2) Only when publication occurs within the City, that portion of the remaining gross income from publication which reflects the ratio of circulation within this City to the total circulation of all incorporated cities or towns in this State within which cities the taxpayer maintains a location of publication.
- (f) The tax imposed by this Section shall not apply to sales of newspapers, magazines or other periodicals to a qualifying hospital, qualifying community health center or a qualifying health care organization, except when the property sold is for use in activities resulting in gross income from unrelated business income as that term is defined in 26 U.S.C. Section 512.

SECTION 11. **Section 444** of Appendix C of the Scottsdale Revised Code is hereby amended to read as follows with new language in shaded format and all deleted language in strikethrough.

Sec. 444. Hotels.

The tax rate shall be at an amount equal to one and ~~six~~ seven and one-half tenths percent (~~4.65%~~) (4.75%) of the gross income from the business activity upon every person engaging or continuing in the business of operating a hotel charging for lodging and/or lodging space furnished to any:

- (a) Person.
- (b) Exclusions. The tax imposed by this section shall not include:
 - (1) Income derived from incarcerating or detaining prisoners who are under the jurisdiction of the United States, this state or any other state or a political subdivision of this state or of any other state in a privately operated prison, jail or detention facility.
 - (2) Gross proceeds of sales or gross income that is properly included in another business activity under this article and that is taxable to the person engaged in that business activity, but the gross proceeds of sales or gross income to be deducted shall not exceed the consideration paid to the person conducting the activity.
 - (3) Gross proceeds of sales or gross income from transactions or activities that are not limited to transients and that would not be taxable if engaged in by a person not subject to tax under this article.
 - (4) Gross proceeds of sales or gross income from transactions or activities that are not limited to transients and that would not be taxable if engaged in by a person subject to taxation under Section 410 or Section 475 due to an exclusion, exemption or deduction.
 - (5) Gross proceeds of sales or gross income from commissions received from a person providing services or property to the customers of the hotel. However, such commissions may be subject to tax under Section 445 or Section 450 as rental, leasing or licensing for use of real or tangible personal property.
 - (6) Income from providing telephone, fax or internet services to customers at an additional charge, that is separately stated to the customer and is separately maintained in the hotel's books and records. However, such gross proceeds of sales or gross income may be subject to tax under Section 470 as telecommunication services.

SECTION 12. Section 445 of Appendix C of the Scottsdale Revised Code is hereby amended to read as follows with new language in shaded format and all deleted language in strikethrough.

Sec. 445. Rental, leasing, and licensing for use of real property.

- (a) The tax rate shall be at an amount equal to one and ~~six seven~~ and one-half tenths percent ~~(1.65%)~~ **(1.75%)** of the gross income from the business activity upon every person engaging or continuing in the business of leasing, or renting real property located within the City for a consideration, to the tenant in actual possession, or the licensing for use of real property to the final licensee located within the City for a consideration including any improvements, rights, or interest in such property; provided further that:
 - (1) Payments made by the lessee to, or on behalf of, the lessor for property taxes, repairs, or improvements are considered to be part of the taxable gross income.
 - (2) Charges for such items as telecommunications, utilities, pet fees, or maintenance are considered to be part of the taxable gross income.
 - (3) However, if the lessor engages in telecommunication activity, as evidenced by installing individual metering equipment and by billing each tenant based upon actual usage, such activity is taxable under Section 470.
- (b) If individual utility meters have been installed for each tenant and the lessor separately charges each single tenant for the exact billing from the utility company, such charges are exempt.
- (c) Charges by a qualifying hospital, qualifying community health center or a qualifying health care organization to patients of such facilities for use of rooms or other real property during the course of their treatment by such facilities are exempt.
- (d) Charges for joint pole usage by a person engaged in the business of providing or furnishing utility or telecommunication services to another person engaged in the business of providing or furnishing utility or telecommunication services are exempt from the tax imposed by this Section.
- (e) (Reserved)
- (f) A person who has less than three (3) apartments, houses, trailer spaces, or other lodging spaces rented, leased or licensed or available for rent, lease, or license within the State and no units of commercial property for rent, lease, or license within the State, is not deemed to be in the rental business, and is therefore exempt from the tax imposed by this Section on such income. However, a person who has one (1) or more units of commercial property is subject to the tax imposed by this Section on rental, lease and license income from all such lodging spaces and commercial units of real estate even though said person may have fewer than three (3) lodging spaces.
- (g) (Reserved)
- (h) (Reserved)
- (i) Exempt from the tax imposed by this Section is gross income derived from the rental, leasing, or licensing of real property to a corporation; provided that the lessor's aggregate holdings in the lessee corporation amount to at least eighty percent (80%) of the voting stock of the lessee corporation.
- (j) Exempt from the tax imposed by this Section is gross income derived from the activities taxable under Section 444 of this code.
- (k) (Reserved)

- (l) (Reserved)
- (m) (Reserved)
- (n) Notwithstanding the provisions of Section 200(b), the fair market value of one (1) apartment, in an apartment complex provided rent free to an employee of the apartment complex is not subject to the tax imposed by this Section. For an apartment complex with more than fifty (50) units, an additional apartment provided rent free to an employee for every additional fifty (50) units is not subject to the tax imposed by this Section.
- (o) Income derived from incarcerating or detaining prisoners who are under the jurisdiction of the United States, this state or any other state or a political subdivision of this state or of any other state in a privately operated prison, jail or detention facility is exempt from the tax imposed by this Section.
- (p) Charges by any hospital, any licensed nursing care institution, or any kidney dialysis facility to patients of such facilities for the use of rooms or other real property during the course of their treatment by such facilities are exempt.
- (q) Charges to patients receiving "personal care" or "directed care" by any licensed assisted living facility, licensed assisted living center or licensed assisted living home as defined and licensed pursuant to Chapter 4 Title 36 Arizona Revised Statutes and Title 9 of the Arizona Administrative Code are exempt.
- (r) Income received from the rental of any "low-income unit" as established under Section 42 of the Internal Revenue Code, including the low-income housing credit provided by IRC Section 42, to the extent that the collection of tax on rental income causes the "gross rent" defined by IRC Section 42 to exceed the income limitation for the low-income unit is exempt. This exemption also applies to income received from the rental of individual rental units subject to statutory or regulatory "low-income unit" rent restrictions similar to IRC Section 42 to the extent that the collection of tax from the tenant causes the rental receipts to exceed a rent restriction for the low-income unit. This subsection also applies to rent received by a person other than the owner or lessor of the low-income unit, including a broker. This subsection does not apply unless a taxpayer maintains the documentation to support the qualification of a unit as a low-income unit, the "gross rent" limitation for the unit and the rent received from that unit.
- (s) Leasing real property between affiliated companies, businesses, persons or reciprocal insurers. For the purposes of this paragraph:
 - (1) *"Affiliated Companies, Businesses, Persons or Reciprocal Insurers"* means the lessor holds a controlling interest in the lessee, the lessee holds a controlling interest in the lessor, an affiliated entity holds a controlling interest in both the lessor and the lessee or an unrelated person holds a controlling interest in both the lessor and lessee.
 - (2) *"Controlling Interest"* means direct or indirect ownership of at least eighty percent (80%) of the voting shares of a corporation or of the interests in a company, business or person other than a corporation.
 - (3) *"Reciprocal Insurer"* has the same meaning prescribed in section 20-762.

SECTION 13. **Section 450** of Appendix C of the Scottsdale Revised Code is hereby amended to read as follows with new language in shaded format and all deleted language in strikethrough.

Sec. 450. Rental, leasing, and licensing for use of tangible personal property.

- (a) The tax rate shall be at an amount equal to one and ~~six~~ ~~seven~~ and one-half tenths percent (1.65%) (~~1.75%~~) of the gross income from the business activity upon every person engaging or continuing in the business of leasing, licensing for use, or renting tangible personal property for a consideration, including that which is semi-permanently or permanently installed within the City as provided by Regulation.
- (b) Special provisions relating to long-term motor vehicle leases. A lease transaction involving a motor vehicle for a minimum period of twenty-four (24) months shall be considered to have occurred at the location of the motor vehicle dealership, rather than the location of the place of business of the lessor, even if the lessor's interest in the lease and its proceeds are sold, transferred, or otherwise assigned to a lease financing institution; provided further that the city or town where such motor vehicle dealership is located levies a Privilege Tax or an equivalent excise tax upon the transaction.
- (c) Gross income derived from the following transactions shall be exempt from Privilege Taxes imposed by this Section:
 - (1) Rental, leasing, or licensing for use of tangible personal property to persons engaged or continuing in the business of leasing, licensing for use, or rental of such property.
 - (2) Rental, leasing, or licensing for use of tangible personal property that is semi-permanently or permanently installed within another city or town that levies an equivalent excise tax on the transaction.
 - (3) Rental, leasing, or licensing for use of film, tape, or slides to a theater or other person taxed under Section 410, or to a radio station, television station, or subscription television system.
 - (4) Rental, leasing, or licensing for use of the following:
 - (A) Prosthetics.
 - (B) Income-producing capital equipment.
 - (C) Mining and metallurgical supplies.

These exemptions include the rental, leasing, or licensing for use of tangible personal property which, if it had been purchased instead of leased, rented, or licensed by the lessee or licensee, would qualify as income-producing capital equipment or mining and metallurgical supplies.

- (5) Rental, leasing, or licensing for use of tangible personal property to a qualifying hospital, qualifying community health center or a qualifying health care organization, except when the property so rented, leased, or licensed is for use in activities resulting in gross income from unrelated business income as that term is defined in 26 U.S.C. Section 512 or rental, leasing or licensing for use of tangible personal property in this state by a non-profit charitable organization that has qualified under Section 501(C)(3) of the United States Internal Revenue Code and that engages in and uses such property exclusively for training, job placement or rehabilitation programs or testing for mentally or physically handicapped persons.
- (6) Separately billed charges for delivery, installation, repair, and/or maintenance as provided by Regulation.

- (7) Charges for joint pole usage by a person engaged in the business of providing or furnishing utility or telecommunication services to another person engaged in the business of providing or furnishing utility or telecommunication services.
- (8) The gross income from coin-operated washing, drying, and dry cleaning machines, or from coin-operated car washing machines. This exemption shall not apply to suppliers or distributors renting, leasing, or licensing for use of such equipment to persons engaged in the operation of coin-operated washing, drying, dry cleaning, or car washing establishments.
- (9) Rental, leasing, or licensing of aircraft that would qualify as aircraft acquired for use outside the State, as prescribed by Regulation, if such rental, leasing, or licensing had been a sale.
- (10) Rental, leasing or licensing for use of an alternative fuel vehicle if such vehicle was manufactured as a diesel fuel vehicle and converted to operate on alternative fuel and equipment that is installed in a conventional diesel fuel motor vehicle to convert the vehicle to operate on an alternative fuel, as defined in A.R.S. Section 1-215.
- (11) Rental, leasing, and licensing for use of solar energy devices, for taxable periods beginning from and after July 1, 2008. The lessor shall register with the Department of Revenue as a solar energy retailer. By registering, the lessor acknowledges that it will make its books and records relating to leases of solar energy devices available to the Department of Revenue and City, as applicable, for examination.

SECTION 14. Section 455 of Appendix C of the Scottsdale Revised Code is hereby amended to read as follows with new language in shaded format and all deleted language in strikethrough.

Sec. 455. Restaurants and Bars.

- (a) The tax rate shall be at an amount equal to one and ~~six~~ ^{seven} and one-half tenths percent ~~(1.65%)~~ ^(1.75%) of the gross income from the business activity upon every person engaging or continuing in the business of preparing or serving food or beverage in a bar, cocktail lounge, restaurant, or similar establishment where articles of food or drink are prepared or served for consumption on or off the premises, including also the activity of catering. Cover charges and minimum charges must be included in the gross income of this business activity.
- (b) Caterers and other taxpayers subject to the tax who deliver food and/or serve such food off premises shall also be allowed to exclude separately charged delivery, set-up, and clean-up charges, provided that the charges are also maintained separately in the books and records. When a taxpayer delivers food and/or serves such food off premises, his regular business location shall still be deemed the location of the transaction for the purposes of the tax imposed by this Section.
- (c) The tax imposed by this Section shall not apply to sales to a qualifying hospital, qualifying community health center or a qualifying health care organization, except when sold for use in activities resulting in gross income from unrelated business income as that term is defined in 26 U.S.C. Section 512.
- (d) The tax imposed by this Section shall not apply to sales of food, beverages, condiments and accessories used for serving food and beverages to a commercial airline, as defined in A.R.S. § 42-5061(A)(49), that serves the food and beverages to its passengers, without additional charge, for consumption in flight.
- (e) The tax imposed by this Section shall not apply to sales of prepared food, beverages, condiments or accessories to a public educational entity, pursuant to any of the provisions of Title 15, Arizona

Revised Statutes, to the extent such items are to be prepared or served to individuals for consumption on the premises of a public educational entity during school hours.

- (f) For the purposes of this Section, "accessories" means paper plates, plastic eating utensils, napkins, paper cups, drinking straws, paper sacks or other disposable containers, or other items which facilitate the consumption of the food.

SECTION 15. Section 460 of Appendix C of the Scottsdale Revised Code is hereby amended to read as follows with new language in shaded format and all deleted language in strikethrough.

Sec. 460. Retail sales: measure of tax; burden of proof; exclusions.

- (a) The tax rate shall be at an amount equal to one and ~~six~~ ~~seven~~ and one-half tenths percent ~~(1.65%)~~ **(1.75%)** of the gross income from the business activity upon every person engaging or continuing in the business of selling tangible personal property at retail.
- (b) The burden of proving that a sale of tangible personal property is not a taxable retail sale shall be upon the person who made the sale.
- (c) **Exclusions.** For the purposes of this Chapter, sales of tangible personal property shall not include:
 - (1) Sales of stocks, bonds, options, or other similar materials.
 - (2) Sales of lottery tickets or shares pursuant to Article I, Chapter 5, Title 5, Arizona Revised Statutes.
 - (3) Sales of platinum, bullion, or monetized bullion, except minted or manufactured coins transferred or acquired primarily for their numismatic value as prescribed by Regulation.
 - (4) Gross income derived from the transfer of tangible personal property which is specifically included as the gross income of a business activity upon which another Section of this Article imposes a tax, shall be considered gross income of that business activity, and are not includable as gross income subject to the tax imposed by this Section.
 - (5) Sales by professional or personal service occupations where such sales are inconsequential elements of the service provided.
- (d) (Reserved)
- (e) When this City and another Arizona city or town with an equivalent excise tax could claim nexus for taxing a retail sale, the city or town where the permanent business location of the seller at which the order was received shall be deemed to have precedence, and for the purposes of this Chapter such city or town has sole and exclusive right to such tax.
- (f) The appropriate tax liability for any retail sale where the order is received at a permanent business location of the seller located in this City or in an Arizona city or town that levies an equivalent excise tax shall be at the tax rate of the city or town of such seller's location.
- (g) Retail sales of prepaid calling cards or prepaid authorization numbers for telecommunications services, including sales of reauthorization of a prepaid card or authorization number are subject to tax under this Section.

SECTION 16. Section 462 of Appendix C of the Scottsdale Revised Code is hereby amended to read as follows with new language in shaded format and all deleted language in strikethrough.

Sec. 462. Retail sales: food for home consumption.

- (a) The tax rate shall be at an amount equal to one and six ~~seven~~ ^{seventeen} and one-half tenths percent (~~1.65%~~ ^{1.75%}) of the gross income from the business activity upon every person engaging or continuing in the business of selling food for home consumption at retail.
- (b) For the purposes of this section only, the following definitions shall be applicable:
- (1) *"Eligible grocery business"* means an establishment whose sales of food are such that it is eligible to participate in the food stamp program established by the Food Stamp Act of 1977 (P.L. 95-113; 91 Stat. 958.7 U.S.C. Section 2011 et seq.), according to regulations in effect on January 1, 1979. An establishment is deemed eligible to participate in the food stamp program if it is authorized to participate in the program by the United States Department of Agriculture Food and Nutrition Service Field Office on the effective date of this section, or if, prior to a reporting period for which the return is filed, such retailer proves to the satisfaction of the Tax Collector that the establishment, based on the nature of the retailer's food sales, could be eligible to participate in the food stamp program established by the Food Stamp Act of 1977 according to regulations in effect on January 1, 1979.
 - (2) *"Facilities for the consumption of food"* means tables, chairs, benches, booths, stools, counters, and similar conveniences, trays, glasses, dishes, or other tableware and parking areas for the convenience of in-car consumption of food in or on the premises on which the retailer conducts business.
 - (3) *"Food for consumption on the premises"* means any of the following:
 - (A) "Hot prepared food" as defined below.
 - (B) Hot or cold sandwiches.
 - (C) Food served by an attendant to be eaten at tables, chairs, benches, booths, stools, counters, and similar conveniences and within parking areas for the convenience of in-car consumption of food.
 - (D) Food served with trays, glasses, dishes, or other tableware.
 - (E) Beverages sold in cups, glasses, or open containers.
 - (F) Food sold by caterers.
 - (G) Food sold within the premises of theatres, movies, operas, shows of any type or nature, exhibitions, concerts, carnivals, circuses, amusement parks, fairs, races, contests, games, athletic events, rodeos, billiard and pool parlors, bowling alleys, public dances, dance halls, boxing, wrestling and other matches, and any business which charges admission, entrance, or cover fees for exhibition, amusement, entertainment, or instruction.
 - (H) Any items contained in subsections (a)(3)(A) through (G) above even though they are sold on a "take-out" or "to go" basis, and whether or not the item is packaged, wrapped, or is actually taken from the premises.
 - (4) *"Hot prepared food"* means those products, items, or ingredients of food which are prepared and intended for consumption in a heated condition. "Hot prepared food" includes a combination of hot and cold food items or ingredients if a single price has been established.
 - (5) *"Premises"* means the total space and facilities in or on which a vendor conducts business and which are owned or controlled, in whole or in part, by a vendor or which are made available for the use of customers of the vendor or group of vendors, including any building or part of a building, parking lot, or grounds.

- (6) *"Food for home consumption"* means all food, except food for consumption on the premises, if sold by any of the following:
- (A) An eligible grocery business.
 - (B) A person who conducts a business whose primary business is not the sale of food but who sells food which is displayed, packaged, and sold in a similar manner as an eligible grocery business.
 - (C) A person who sells food and does not provide or make available any facilities for the consumption of food on the premises.
 - (D) A person who conducts a delicatessen business either from a counter which is separate from the place and cash register where taxable sales are made or from a counter which has two (2) cash registers and which are used to record taxable and tax exempt sales, or a retailer who conducts a delicatessen business who uses a cash register which has at least two (2) tax computing keys which are used to record taxable and tax exempt sales.
 - (E) Vending machines and other types of automatic retailers.
 - (F) A person's sales of food, drink and condiment for consumption within the premises of any prison, jail or other institution under the jurisdiction of the State Department of Corrections, the Department of Public Safety, the Department of Juvenile Corrections or a county sheriff.
- (c) Income derived from the following sources is exempt from the tax imposed by this section:
- (1) Sales of food for home consumption to a person regularly engaged in the business of selling such property.
 - (2) Out-of-city sales or out-of-state sales.
 - (3) Charges for delivery or other "direct customer services" as prescribed by regulation.
 - (4) Food purchased with food stamps provided through the food stamp program established by the Food Stamp Act of 1977 (P.L. 95-113; 91 Stat. 958.7 U.S.C. Section 2011 et seq.) or purchased with food instruments issued under Section 17 of the Child Nutrition Act (P.L. 95-627; 92 Stat. 3603; and P.L. 99-669; Section 4302; 42 United States Code Section 1786) but only to the extent that food stamps or food instruments were actually used to purchase such food.
 - (5) Sales of food products by producers as provided for by A.R.S. §§ 3-561, 3-562 and 3-563.
 - (6) Sales of food, beverages, condiments and accessories to a public educational entity, pursuant to any of the provisions of Title 15, Arizona Revised Statutes, including a regularly organized private or parochial school that offers an educational program for grade twelve (12) or under which may be attended in substitution for a public school pursuant to A.R.S. § 15-802; to the extent such items are to be prepared or served to individuals for consumption on the premises of a public educational entity during school hours. For the purposes of this subsection, "accessories" means paper plates, plastic eating utensils, napkins, paper cups, drinking straws, paper sacks or other disposable containers, or other items which facilitate the consumption of the food.
 - (7) Sales of food, beverages, condiments and accessories to a nonprofit charitable organization that has qualified as an exempt organization under 26 U.S.C. Section 501(c)(3) and regularly serves meals to the needy and indigent on a continuing basis at no cost. For the purposes of this subsection, "accessories" means paper plates, plastic eating utensils, napkins, paper cups, drinking straws, paper sacks or other disposable containers, or other items which facilitate the consumption of the food.

- (d) Reporting. Such persons who sell food for home consumption shall, in conjunction with the return required pursuant to Section 520, report to the Tax Collector in a manner prescribed by the Tax Collector all sales of food for home consumption exempted from taxes imposed by this chapter.
- (e) Recordkeeping.
 - (1) Retailers shall maintain accurate, verifiable, and complete records of all purchases and sales of tangible personal property in order to verify exemptions from taxes imposed by this chapter. A retailer may use any method of reporting that properly reflects all purchases and sales of food for home consumption, as well as all purchases and sales of items subject to taxes imposed by this chapter, provided that such records are maintained in accordance with article III, and regulations of the Tax Collector.
 - (2) Any person who fails to maintain records as provided herein shall be deemed to have had no sales of food for home consumption, and if upon request by the Tax Collector, a person cannot demonstrate to the Tax Collector that such records and reports do properly reflect all sales of food for home consumption, the Tax Collector may recompute the amount of tax to be paid as provided in Sections 370 and 545(b).

SECTION 17. Section 470 of Appendix C of the Scottsdale Revised Code is hereby amended to read as follows with new language in shaded format and all deleted language in strikethrough.

Sec. 470. Telecommunication services.

- (a) The tax rate shall be at an amount equal to one and ~~six~~ **seven** and one-half tenths percent ~~(4.65%)~~ **(4.75%)** of the gross income from the business activity upon every person engaging or continuing in the business of providing telecommunication services to consumers within this City.
 - (1) Telecommunication services shall include:
 - (A) Two-way voice, sound, and/or video communication over a communications channel.
 - (B) One-way voice, sound, and/or video transmission or relay over a communications channel.
 - (C) Facsimile transmissions.
 - (D) Providing relay or repeater service.
 - (E) Providing computer interface services over a communications channel.
 - (F) Time-sharing activities with a computer accomplished through the use of a communications channel.
 - (2) Gross income from the business activity of providing telecommunication services to consumers within this City shall include:
 - (A) All fees for connection to a telecommunication system.
 - (B) Toll charges, charges for transmissions, and charges for other telecommunications services; provided that such charges relate to transmissions originating in the City and terminating in this State.
 - (C) Fees charged for access to or subscription to or membership in a telecommunication system or network.

- (D) Charges for monitoring services relating to a security or burglar alarm system located within the City where such system transmits or receives signals or data over a communications channel.
 - (E) Charges for telephone, fax or internet access services provided at an additional charge by a hotel business subject to taxation under Section 444.
- (b) Resale telecommunication services. Gross income from sales of telecommunication services to another provider of telecommunication services for the purpose of providing the purchaser's customers with such service shall be exempt from the tax imposed by this Section; provided, however, that such purchaser is properly licensed by the City to engage in such business.
 - (c) Interstate transmissions. Charges by a provider of telecommunication services for transmissions originating in the City and terminating outside the State are exempt from the tax imposed by this Section.
 - (d) (Reserved)
 - (e) (Reserved)
 - (f) Prepaid calling cards. Telecommunications services purchased with a prepaid calling card that are taxable under Section 460 are exempt from the tax imposed under this Section.
 - (g) Internet access services. The gross income subject to tax under this Section shall not include sales of internet access services to the person's subscribers and customers. For the purposes of this paragraph:
 - (1) "Internet" means the computer and telecommunications facilities that comprise the interconnected worldwide network of networks that employ the transmission control protocol or internet protocol, or any predecessor or successor protocol, to communicate information of all kinds by wire or radio.
 - (2) "Internet Access" means a service that enables users to access content, information, electronic mail or other services over the internet. Internet access does not include telecommunication services provided by a common carrier.

SECTION 18. Section 475 of Appendix C of the Scottsdale Revised Code is hereby amended to read as follows with new language in shaded format and all deleted language in strikethrough.

Sec. 475. Transporting for hire

The tax rate shall be at an amount equal to one and ~~six~~ ^{seven} and one-half tenths percent (~~1.65%~~ ^{1.75%}) of the gross income from the business activity upon every person engaging or continuing in the business of providing the following forms of transportation for hire from this City to another point within the State:

- (a) Transporting of persons or property by railroad; provided, however, that the tax imposed by this subsection shall not apply to transporting freight or property for hire by a railroad operating exclusively in this state if the transportation comprises a portion of a single shipment of freight or property, involving more than one railroad, either from a point in this state to a point outside this state or from a point outside this state to a point in this state. For purposes of this paragraph, "a single shipment" means the transportation that begins at the point at which one of the railroads first takes possession of the freight or property and continues until the point at which one of the railroads relinquishes possession of the freight or property to a party other than one of the railroads.

- (b) Transporting of oil or natural or artificial gas through pipe or conduit.
- (c) Transporting of property by aircraft.
- (d) (Reserved)
 - (1) (Reserved)
 - (2) (Reserved)
 - (3) (Reserved)
 - (4) (Reserved)
- (e) Deductions or exemptions. The gross proceeds of sales or gross income derived from the following sources is exempt from the tax imposed by this section:
 - (1) Income that is specifically included as the gross income of a business activity upon which another section of article IV imposes a tax, that is separately stated to the customer and is taxable to the person engaged in that classification not to exceed consideration paid to the person conducting the activity.
 - (2) Income from arranging amusement or transportation when the amusement or transportation is conducted by another person not to exceed consideration paid to the amusement or transportation business.
- (f) The tax imposed by this section shall not include arranging transportation as a convenience to a person's customers if that person is not otherwise engaged in the business of transporting persons, freight or property for hire. This exception does not apply to businesses that dispatch vehicles pursuant to customer orders and send the billings and receive the payments associated with that activity, including when the transportation is performed by third party independent contractors. For the purposes of this paragraph, "arranging" includes billing for or collecting transportation charges from a person's customers on behalf of the persons providing the transportation.

SECTION 19. Section 480 of Appendix C of the Scottsdale Revised Code is hereby amended to read as follows with new language in shaded format and all deleted language in strikethrough.

Sec. 480. Utility services.

- (a) The tax rate shall be at an amount equal to one and ~~six~~ ^{seven} and one-half tenths percent ~~(1.65%)~~ ^(1.75%) of the gross income from the business activity upon every person engaging or continuing in the business of producing, providing, or furnishing utility services, including electricity, electric lights, current, power, gas (natural or artificial), or water to:
 - (1) Consumers or ratepayers who reside within the City.
 - (2) (Reserved)
- (b) Exclusion of certain sales of natural gas to a public utility. Notwithstanding the provisions of subsection (a) above, the gross income derived from the sale of natural gas to a public utility for the purpose of generation of power to be transferred by the utility to its ratepayers shall be considered a retail sale of tangible personal property subject to Sections 460 and 465, and not considered gross income taxable under this Section.

- (c) Resale utility services. Sales of utility services to another provider of the same utility services for the purpose of providing such utility services either to another properly licensed utility provider or directly to such purchaser's customers or ratepayers shall be exempt and deductible from the gross income subject to the tax imposed by this Section, provided that the purchaser is properly licensed by all applicable taxing jurisdictions to engage or continue in the business of providing utility services, and further provided that the seller maintains proper documentation, in a manner similar to that for sales for resale, of such transactions.
- (d) Tax credit offset for franchise fees. There shall be allowed as an offset any franchise fees paid to the City pursuant to the terms of a franchise agreement. However, such offset shall not be allowed against taxes imposed by any other Section of this Chapter. Such offsets shall not be deemed in conflict with or violation of subsection 400(b).
- (e) The tax imposed by this Section shall not apply to sales of utility services to a qualifying hospital, qualifying community health center or a qualifying health care organization, except when sold for use in activities resulting in gross income from unrelated business income as that term is defined in 26 U.S.C. Section 512.
- (f) The tax imposed by this Section shall not apply to sales of natural gas or liquefied petroleum gas used to propel a motor vehicle.
- (g) The tax imposed by this Section shall not apply to:
 - (1) Revenues received by a municipally owned utility in the form of fees charged to persons constructing residential, commercial or industrial developments or connecting residential, commercial or industrial developments to a municipal utility system or systems if the fees are segregated and used only for capital expansion, system enlargement or debt service of the utility system or systems.
 - (2) Revenues received by any person or persons owning a utility system in the form of reimbursement or contribution compensation for property and equipment installed to provide utility access to, on or across the land of an actual utility consumer if the property and equipment become the property of the utility. This exclusion shall not exceed the value of such property and equipment.
- (h) The tax imposed by this Section shall not apply to sales of alternative fuel as defined in A.R.S. § 1-215, to a used oil fuel burner who has received a Department of Environmental Quality permit to burn used oil or used oil fuel under A.R.S. § 49-426 or § 49-480.
- (i) The tax imposed by this section shall not apply to sales or other transfers of renewable energy credits or any other unit created to track energy derived from renewable energy resources. For the purposes of this paragraph, "renewable energy credit" means a unit created administratively by the corporation commission or governing body of a public power utility to track kilowatt hours of electricity derived from a renewable energy resource or the kilowatt hour equivalent of conventional energy resources displaced by distributed renewable energy resources.
- (j) The tax imposed by this section shall not apply to the portion of gross proceeds of sales or gross income attributable to transfers of electricity by any retail electric customer owning a solar photovoltaic energy generating system to an electric distribution system, if the electricity transferred is generated by the customer's system.

SECTION 20. **Section 485** of Appendix C of the Scottsdale Revised Code is hereby amended to read as follows with new language in shaded format and all deleted language in strikethrough.

Sec. 485. Wastewater Removal Services

- (a) The tax rate shall be an amount equal to one and ~~six~~ ^{six} ~~seven~~ ^{seven} and one-half tenths percent (~~1.65%~~ ^(1.75%)) of the gross income from the business activity upon every person engaging or continuing in the business of providing wastewater removal services by means of sewer lines or similar pipelines to:
 - (1) Consumers or ratepayers who reside within the city.
 - (2) Consumers or ratepayers of this city, whether within the city or without, to the extent that this city provides such persons wastewater removal services, excluding consumers or ratepayers who are residents of another city or town which levies an equivalent excise tax upon this city for providing such wastewater removal services to such persons.
- (b) The tax imposed by this Section shall not apply to gross income relating to the providing of wastewater removal services from a qualifying hospital, qualifying community health center or a qualifying health care organization.

SECTION 21. **Section 610** of Appendix C of the Scottsdale Revised Code is hereby amended to read as follows with new language in shaded format and all deleted language in strikethrough.

Sec. 610. Use tax: imposition of tax; presumption.

- (a) There is hereby levied and imposed, subject to all other provisions of this Chapter, an excise tax on the storage or use in the City of tangible personal property, for the purpose of raising revenue to be used in defraying the necessary expenses of the City, such taxes to be collected by the Tax Collector.
- (b) The tax rate shall be at an amount equal to one and ~~four~~ ^{four} ~~five~~ ^{five} and one-half tenths percent (~~1.45%~~ ^(1.55%)) of the:
 - (1) Cost of tangible personal property, except jet fuel acquired from a retailer, upon every person storing or using such property in this City.
 - (2) Gross income from the business activity upon every person meeting the requirements of subsection 620(b) or (c) who is engaged or continuing in the business activity of sales, rentals, leases, or licenses of tangible personal property to persons within the City for storage or use within the City, to the extent that tax has been collected upon such transaction.
 - (3) Cost of the tangible personal property provided under the conditions of a warranty, maintenance, or service contract.
 - (4) Cost of complimentary items provided to patrons without itemized charge by a restaurant, hotel, or other business.
 - (5) Cost of food consumed by the owner or by employees or agents of the owner of a restaurant or bar subject to the provisions of Section 455 of this Chapter.
- (c) It shall be presumed that all tangible personal property acquired by any person who at the time of such acquisition resides in the City is acquired for storage or use in this City, until the contrary is established by the taxpayer.
- (d) Exclusions. For the purposes of this Article, the acquisition of the following shall not be deemed to be the purchase, rental, lease, or license of tangible personal property for storage or use within the City:

- (1) Stocks, bonds, options, or other similar materials.
 - (2) Lottery tickets or shares sold pursuant to Article I, Chapter 5, Title 5, Arizona Revised Statutes.
 - (3) Platinum, bullion, or monetized bullion, except minted or manufactured coins transferred or acquired primarily for their numismatic value as prescribed by Regulation.
- (e) (Reserved)
- (f) Additional Imposition. The tax rate shall be at an amount equal to \$.018 cents per gallon of jet fuel upon every person storing or using such property in this City.

SECTION 22. If any section, subsection, sentence, clause, phrase or portion of this ordinance or any part of the code adopted herein 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 23. The effective date for the imposition of the one tenth percent (0.10%) increase in the transaction privilege tax rate and use tax rate imposed shall be as follows, and shall continue for a period of ten (10) years:

A. With respect to advertising, Section 405, Appendix C, the increased tax rate, in the case of a single payment, shall apply to gross income from advertising disseminated on or after February 1, 2019, but in the case of periodic or multiple payments, the increased tax rate imposed by this ordinance shall apply to gross income received on or after February 1, 2019.

B. With respect to amusements, exhibitions and similar activities, Section 410, Appendix C, the increased tax rate imposed by this ordinance shall apply to gross income received by the taxpayer on or after February 1, 2019.

C. With respect to activities taxed under Section 415, Section 416, and 417 of Appendix C, the increased tax rate imposed by this ordinance shall not apply to gross income derived from any construction contract (or similar arrangement or undertaking) executed or committed to, or where a binding bid has been submitted prior to February 1, 2019, or in the case of an owner/builder, where any contract for sale or document for sale has been executed prior to February 1, 2019. As to such activities, the former tax rate of 1.65% shall apply and the increased tax rate of 1.75% shall only apply to such activities undertaken on or after February 1, 2019.

D. With respect to feed at wholesale, Section 420, Appendix C, the increased tax rate imposed by this ordinance shall apply to gross income derived from feed delivered to a purchaser or customer on or after February 1, 2019.

E. With respect to job printing, Section 425, Appendix C, the increased tax rate imposed by this ordinance shall apply to gross income received from printed material delivered to the customer on or after February 1, 2019.

F. With respect to manufactured buildings, Section 427, Appendix C, the increase tax rate imposed by this ordinance shall not apply to gross income derived from any contract (or similar arrangement or undertaking) executed or committed to, or where a binding bid has been submitted prior to February 1, 2019. As to such activities, the former tax rate of 1.65% shall apply and the increased tax rate of 1.75% shall apply only to such activities undertaken on or after February 1, 2019.

G. With respect to timbering and other extractions, Section 430, Appendix C, the increased tax rate shall apply to gross income derived from timber or natural resources delivered to the customer on or after February 1, 2019.

H. With respect to publishing and periodicals distribution, Section 435, Appendix C, the increased tax rate imposed by this ordinance, in the case of a single payment shall apply to gross income from materials distributed on or after February 1, 2019, but in the case of periodic or multiple payments, the increased tax rate imposed by this ordinance shall apply to gross income received on or after February 1, 2019.

I. With respect to rental and leasing of real property, and licensing for use of real property, Section 445, Appendix C, hotels, Section 444, Appendix C, and the rental, leasing and licensing for use of tangible personal property, Section 450, Appendix C, the increased tax rate imposed by this ordinance, in the case of a single rental payment shall apply to gross income from all rental agreements executed on or after February 1, 2019, but in the case of periodic or multiple rental payments, the increased tax rate shall apply to gross income received on or after February 1, 2019, regardless of when the rental agreement was executed.

J. With respect to restaurants and bars, Section 455, Appendix C, the increased tax rate shall apply to gross income from all food and beverage contracted to be delivered to the customer on or after February 1, 2019.

K. With respect to retail sales, Section 460, Appendix C, and retail sales, food for home consumption, Section 462, Appendix C, the increased tax rate shall apply to gross income from all contracts to deliver tangible personal property to a purchaser on or after February 1, 2019.

L. With respect to retail sales, food for home consumption, Section 462, Appendix C, the increased tax rate shall apply to gross income from all contracts to deliver food for home consumption to a purchaser on or after February 1, 2019.

M. With respect to telecommunications services, Section 470, Appendix C, the increased tax rate, in the case of a single payment shall apply to gross income from all telecommunications contracts executed on or after February 1, 2019, but in the case of periodic or multiple payments, the increased tax rate shall apply to gross income received on or after February 1, 2019, regardless of when the telecommunications contract was executed.

N. With respect to transporting for hire, Section 475, Appendix C, the increased tax rate shall apply to all payments for transportation received by the taxpayer either directly or through any travel agent, broker, or purveyor of transportation services on or after February 1, 2019.

O. With respect to utility services, Section 480, Appendix C, and wastewater removal services, Section 485, Appendix C, the increased tax rate shall apply, in the case of a single utility payment to gross income received from all utility contracts executed on or after February 1, 2019, but in the case of periodic or multiple payments, the increased tax rate shall apply to gross income received on or after February 1, 2019, regardless of when the utility contract was executed.

P. With respect to use tax, Section 610, Appendix C, the increased tax rate shall apply to storage and use of tangible personal property occurring on or after February 1, 2019.

Q. With respect to any tax rate increase set forth in this ordinance, but not specifically mentioned in this section, the increased tax rate shall apply to the gross income from that taxable activity received on or after February 1, 2019.

PASSED AND ADOPTED by the City Council of the City of Scottsdale, Maricopa County, Arizona, this 26th day of November, 2018.

CITY OF SCOTTSDALE, an Arizona
municipal corporation

ATTEST:

Carolyn Jagger, City Clerk

W.J. "Jim" Lane, Mayor

APPROVED AS TO FORM:



Bruce Washburn, City Attorney

By: Kimberly Campbell, Assistant City Attorney

Notice of Proposed Tax Increase - Nov. 6, 2018 Election

September 10, 2018

(Election Question 1: November 6, 2018)

In accordance with A.R.S. § 9-499.15, public notice is hereby given that if the majority of qualified City of Scottsdale voters approve Election Question 1 (see below) at the November 6, 2018 General/Special Election, the Scottsdale City Council may consider adopting an ordinance to implement the temporary transaction privilege and use tax rate increase at a meeting in the City Hall Kiva, 3939 N. Drinkwater Blvd., Scottsdale, Arizona, at 5 p.m. on November 26, 2018, but no sooner than 60 days after the posting date of this notice. **(Please note that the date was changed from Nov. 27 to Nov. 26 on Sept. 19)**

Election Question 1 asks qualified voters whether the City Council should be authorized to increase the rate of transaction privilege and use taxes in the City by 0.10 percent (0.10%) for a period of ten (10) years to provide funds for transportation improvement projects.

At its May 1, 2018 and previous meetings, the City Council discussed the need to fund additional transportation projects, especially those projects in the Arterial Life Cycle Program (ALCP) which are eligible for 70 percent matching dollars. A countywide sales tax fund (to which Scottsdale taxpayers have already contributed) supplies the matching dollars if the City pays 30 percent of project costs. So, each \$1 the City spends on eligible projects results in a total project investment of \$3.33. If the City does not fund Scottsdale's local portion, approximately \$170 million of countywide sales tax dollars previously designated for Scottsdale projects would be made available for projects in other communities beginning in 2020.

If the voters approve the rate increase, it will change the City's transaction privilege tax rate to 1.75% and the use tax rate to 1.55%. The attached schedule illustrates the impact of the rate change by category. If approved, the City anticipates the tax rate increase will be effective on February 1, 2019.

Proposed Tax Rate Change (pdf)

Posted: Sept. 10, 2018

https://www.scottsdaleaz.gov/public-notice/notice-of-proposed-tax-increase-nov-6-2018-election_s8_p27177

The newspapers of **Arizona** make public notices from their printed pages available electronically in a single database for the benefit of the public. This enhances the legislative intent of public notice - keeping a free and independent public informed about activities of their government and business activities that may affect them. Importantly, Public Notices now are in one place on the web (www.PublicNoticeAds.com), not scattered among thousands of government web pages.

County: Maricopa

Printed In: Arizona Republic (Phoenix)

Printed On: 2018/11/09

Notice of Public Hearing If Election Question 1 is approved by the majority of qualified City of Scottsdale, Arizona voters at the November 6, 2018 General/Special Election, the Scottsdale City Council will hold a public hearing on the proposed change to the City Tax Code pursuant to A.R.S. § 42-6054. The proposed change will increase the rate of transaction privilege and use taxes in the City by 0.10% for a period of 10 years to provide funds for transportation improvement projects. The hearing will be held at 5:00 PM on Monday, November 26, 2018, in the City Hall Kiva Forum, 3939 North Drinkwater Boulevard. Additional information can be obtained at https://www.scottsdaleaz.gov/public-notice/notice-of-proposed-tax-increase-nov-6-2018-election_s8_p27177 or by calling Terry Hogle at 480-312-2463. Pub: Nov 9, 10, 11, 12, 2018

Public Notice ID:

ATTACHMENT 3

Notice of Intent to Increase Tax

November 9, 2018

(Election Question 1: November 6, 2018)

In accordance with A.R.S. § 9-499.15, public notice is hereby given that at a Regular Meeting of the Scottsdale City Council to be held in the City Hall Kiva Forum, 3939 North Drinkwater Boulevard on Monday, November 26, 2018 at 5:00 PM, it is the Council's intention to consider adopting an ordinance to implement the temporary transaction privilege and use tax rate increase approved by the majority of qualified City of Scottsdale voters at the November 6, 2018 General/Special Election (Election Question 1).

Election Question 1 asked qualified voters whether the City Council should be authorized to increase the rate of transaction privilege and use taxes in the City by 0.10 percent (0.10%) for a period of ten (10) years to provide funds for transportation improvement projects. Approval of this question changes the City's transaction privilege tax rate to 1.75% and the use tax rate to 1.55%.

Following consideration at the November 26 meeting, the Council may approve, disapprove, or modify the ordinance to implement the tax increase. A schedule of the proposed temporary tax increase, illustrating the impact of the rate change by category, along with the written report that supports the increased tax was posted on the City's website on September 10, 2018 and is available here.

https://www.scottsdaleaz.gov/public-notice/notice-of-intent-to-increase-tax_s8_p27360