

**POLSON CITY ECONOMIC DEVELOPMENT COUNCIL MEETING MINUTES  
CITY HALL – CITY COMMISSION CHAMBERS  
WEDNESDAY JUNE 10, 2015, 6:00 PM**

**ATTENDANCE:** Board Members: Paul Briney, Gerry Browning, Vice Chair Becky Dupuis, Rich Forbis, Chairman Rick LaPiana and Carlisa London; City Commission Liaison Jill Southerland and City Staff Representative Finance Officer Cindy Dooley. Absent: Board member Louis Cross.

Chairman Rick LaPiana called the meeting to order.

**APPROVE MINUTES OF JUNE 3, 2015 MEETING: (00:00:50) Minutes were not available and will be approved at the next meeting.**

**OLD BUSINESS**

**DISCUSSION OF WHAT IS TAXABLE – DEFINE LUXURY ITEMS: (00:00:58)** Gerry Browning suggested working off of the Whitefish list that was included in the presentation from Whitefish City Manager Chuck Stearns. Rick LaPiana went over the items that are automatically taxed from the Montana Code Annotated which include all goods and services sold except those sold for resale at hotels/motels, camping facilities, bed and breakfasts (B & Bs) and any other lodging facility where lodging is based on a period of less than 30 days; restaurants, fast food (convenience) stores and other food establishments; and taverns, bars, night clubs, lounges and other establishments that serve beer, wine, liquor or other alcoholic beverages by the drink or retail; and destination ski resorts and other destination recreational facilities. (Becky Dupuis joined the meeting and was thanked by Chairman LaPiana for her presentation at the City Commission meeting.) Becky Dupuis asked if there were other types of recreational facilities that Polson offers that should be included as destination recreational facilities. The City of Polson's golf course should be included here as well as the rafting companies. The Riverside boat rentals would also be included. The discussion then started on the various categories of luxury items that can be defined by each resort tax entity starting with rentals. It was decided that U-haul rentals would be exempt. Gerry Browning asked if the Elks or VFW rents their space for a wedding would it be taxable. It was agreed that this would be taxable. City Manager Shrives said the City rents its pavilions at Boettcher Park and would this be taxable. It was agreed that this would be taxable. A general discussion of non-profit organizations was held. Carlisa London said items should be specifically listed such as the City park pavilions/shelters and this was agreed. Room rentals at the schools were discussed and whether these rooms are used for events such as weddings, reunions, etc. It was discussed that the type of event (wedding, class reunion, etc.) should control whether the room rental is taxed or not for non-profits. City Manager Shrives suggested that wording be included that any public or private facility that is rented pays the tax. Paul Briney read the MCA code 7-6-1501 that defines luxury items: "Luxuries" means any gift item, luxury item, or other item normally sold to the public or to transient visitors or tourists. The term does not include food purchased unprepared or unserved, medicine, medical supplies and services, appliances, hardware supplies and tools, or any necessities of life.' It was decided to remove snowmobile rentals since the tax will be for the spring/summer season only, but all other items listed under rentals will be included with the addition of park pavilion/shelters and any other private or public room rentals rented to the public.

The council then moved on to discussion of retail sales of goods excluding sales for resale. Defining goods for resale was discussed which would include items manufactured and sold at wholesale. Gerry Browning read the list of items that Whitefish included here such as batteries and film, books, cameras

and supplies, candles, clothing, curios, cut flowers and arrangements, fake trees and plants, finished craft items, fireworks, gifts, jewelry and art, magazines and greeting cards, mail order and catalog sales, makeup and supplies, motorcycles, snowmobiles, perfume, cologne, pets, pet supplies, pictures and picture frames, records, tapes, CDs, videos, secondhand items, souvenirs, sporting goods, tobacco products and toys. From the list it appears that garage sales would be exempt from being taxed. Jill Southerland asked if craft materials such as sewing materials sold at All In Stitches would be taxed. It was decided that a completed quilt would be taxed but the materials to make a quilt would not be taxed. A discussion was held on catalog and mail order sales and how to track that for tax purposes. Cindy Dooley said the City requires home businesses to get a home occupation license so that could be one way to track mail order/catalog sales. A question was raised about pet food and pet supplies and whether they are luxury items. It was agreed to remove pets, pet food and pet supplies and mail order/catalog sales from the taxable list. Gerry Browning questioned how to tax cut flowers and arrangements because some purchases would be for weddings or other events and some may be just for hospital/get well – should all purchases be taxed. This also raised the question about greenhouses and landscaping plants and if they would be luxury items and would landscaping services be taxed. Jill Southerland read that on page 6 Whitefish exempts interior decorators, landscaping, snow removal and lawn care services. Secondhand items were discussed because in Polson most of these places are run by non-profit entities. It was decided to keep these items in and include pawnshop items in the list. A question was raised about the distinction on bicycles between regular bicycles (taxed) and stationary bicycles (not taxed) used for fitness. It was concluded that stationary bicycles most likely fall under the medical exemption.

Under supermarket items, it was decided to list e-cigarettes under tobacco products. It was clarified that supermarkets would tax any of the luxury items on the list that they sell, for example cut flowers. Jill Southerland asked how difficult it will be for merchants to take the list of items and input the tax for those items. Carlisa London said those merchants who do not have a point-of-sale (POS) system will have some difficulty. Jill Southerland asked what obligation the City has to help the merchants. Gerry Browning reminded everyone that the businesses will retain 3% of the tax for their administration purposes so that money would help them set up a collection system. City Manager Shrives suggested that the City would hire someone to offer education classes to the merchants on how to setup their systems and collect the tax. He suggested that this should be a slide in the public presentation about how merchants and other businesses would be educated on the tax. Jill Southerland said she has heard some comments from merchants that the tax would be overwhelming for them.

Cindy Dooley handed out the presentation from the Whitefish mayor for their public meetings. Most of the presentation was on the Haskill Basin project as that was the reason Whitefish was seeking an increase in the resort tax, but there was other information that could be used for the EDC's presentation. City Manager Shrives passed around pictures of our city streets and a priority map of streets that can be preserved if they are chip sealed. The cost last year was \$362,000 to chip seal these streets. City Manager Shrives said that preservation of the streets, not just upgrades, should be included as a use of the resort tax funds. It was suggested that the Street department budget should be part of the presentation.

The next list reviewed was services. Becky Dupuis recommended adding wedding and event planners to the list. A discussion was held on the definition of recreational services and labor. It was questioned whether boat repair services would be included here. The council asked City Manager Shrives to ask the Whitefish City Manager for a definition of recreational services and labor.

The next category reviewed was restaurants, fast food and other food service items. This includes foodstuffs for immediate human consumption; fraternal organizations which provide food and beverages

or rent their facilities to the public and non-members; chips, nuts and seeds, granola bars, jerky, soda pop, gum and candy, and vending machine items. A discussion was had about items purchased in bulk vs. individual items. For example, purchasing a dozen donuts at the bakery would not be taxable, but buying one donut would be taxable. City Manager Shrives will also ask about vending machines and how the tax is collected on those. There was some discussion on how this category could be difficult to regulate. The exemptions exclude items that are not purchased for immediate human consumption. It was suggested that the nature of the product would determine whether it was taxed or not – if generally the item could be consumed immediately without additional preparation it would be taxed such as hot dogs in a bun or chicken purchased at the deli or pre-made sandwiches. Gerry Browning asked if gas stations that have stores would fall under fast food establishments. It was agreed that those businesses would be included.

The last category was taverns, bars, nightclubs, lounges and other public establishments serving beer, wine, liquor or other alcoholic beverages by the drink. Gerry Browning questioned the taxability of packaged liquor sold at bars. Paul Briney said that the sale of packaged liquor by the bar would be the same as the sale from a private liquor store and private liquor stores are taxed. It was decided to leave this as-is because the sale by the drink or at retail covers both drinks and packaged liquor. Becky Dupuis said that it should be stated that all items for these types of establishments are taxed – that will be the easiest way to explain this.

Coffee kiosks were also discussed as they are not specifically mentioned in the Whitefish list of tax items or exemptions. It was decided that coffee kiosks would fall under fast food establishments. It was suggested to add it as a specific item. A discussion was held about fast food type businesses that set up on tribal land. Cindy Dooley said the City cannot regulate vendors on tribal land, but that they must still obtain County health licenses for sale of food items. Rich Forbis said that vendors that sell at the various street fairs have to have a County health license so they would be taxed on those sales. City Manager Shrives said that in Whitefish City Manager Stearns said they tax all street vendors for their various events, but that they are not specifically in the list. It was generally agreed that street vendors would fall under other food establishments if they are selling food or other retail establishments if they are selling other non-food items.

Exemptions to the tax were then reviewed. Becky Dupuis felt that certain non professionals such as computer technicians should be included as exempt services. A discussion was held about computers and iPads and why they are not a luxury item. It was decided to keep them as exempt items. A discussion was held on how items purchased with food stamps would be taxed. There was a question about what this item means, i.e. if the item is considered a luxury item but it is purchased with food stamps is it not taxed vs. purchasing it with cash and it is taxed or if items purchased with food stamps are exempt items. City Manager Shrives will ask City Manager Stearns how this is handled in Whitefish. Regarding the lodging stays in excess of thirty days, Carlisa London said that their business is required to pay the bed tax on stays of 29 days or less. If the customer stays 30 days or more they do not pay the bed tax. She is wondering if we should make it clear that the resort tax would not be charged on stays of 30 days or more. The consensus was that “in excess of thirty (30) days” does mean the same as 29 days or less. Becky Dupuis said that she would like to see it longer possibly 60 days because we have tourist rentals that would exceed the 29 days. Rick LaPiana said it is the industry standard to not tax lodging in excess of 30 days. Becky Dupuis said that when tourists come and stay they are usually paying by the week instead of a monthly rental so this would be different and we should not “give away” that resort tax money. Carlisa London said in their business, stays of more than 30 days are not common and they

don't encourage it. Rick LaPiana gave the example of the Eagles Nest which does have longer-term summer rentals. It was decided to leave it as-is for now.

Continuing the review of exempt items, it was decided to add satellite television to the list of utilities and change the names to more generic names such as electricity service, garbage service, internet services, etc. City Manager Shrives will ask City Manager Stearns about charcoal and propane for barbeques. Rick LaPiana reminded the group that taxable items should be geared towards tourists. Paul Briney recommended adding the word "sponsored" to school sports events so it would read School sponsored sports events and this was agreed to. A discussion was held on hair salons. Becky Dupuis said that a hair cut can be a necessity of life, but getting a color or other services would be a luxury. It was decided to exempt all services at a hair salon. A discussion of the airport hangars was held and it was determined that they would not be taxed. Cindy Dooley will create a list based on tonight's discussion.

**DISCUSS TAX EXEMPTION ISSUES: (01:25:28)** City Manager Shrives said that several weeks ago he spoke with Rob McDonald from the Confederated Salish and Kootenai Tribes (CSKT) about the resort tax. Mr. McDonald had presented the resort tax to the CSKT tribal council and said that it was not dismissed and that the tribal council would be willing to discuss it with the City. City Manager Shrives said he would be putting together a memo to send to the tribal council that outlines the work of the EDC so far. He said that he and Mayor Knutson would be meeting with the tribal council on Thursday, June 17<sup>th</sup> to discuss a number of issues including the resort tax. City Manager Shrives said the CSKT has an attorney now that has experience drafting agreements with cities and counties. Vernon Finley is the chairman of the tribal council and he is also the representative from the Polson area and the City has worked with Chairman Finley on some other items. City Manager Shrives said there probably would not be anything firmed up by the time of the public meeting on June 24<sup>th</sup>. Rick LaPiana said that passage of the resort tax may hinge on whether the CSKT tribal council will support the tax and have tribal businesses collect and tribal members pay the tax. He said that it is one of the first concerns that citizens have that have talked with him about the resort tax. City Manager Shrives said the approach to the tribal council will be that we all drive on the city streets and that is what we are using the resort tax money for. Gerry Browning suggested that it would be the responsibility of tribal members to identify themselves if they are exempt from the tax instead of the merchant having to inquire of the customer. An example was given about paying sales tax in Washington. If you identify yourself as exempt because you are from Montana, then the merchant has you complete paperwork that exempts you from the tax. Some Washington merchants are more automated than others for the tax exemption. Carlisa London suggested that the group should just say at the public meeting that they are working with the tribal council on this issue and more information will be coming.

**WORK ON PUBLIC MEETING PRESENTATION:** Item was discussed later in the agenda.

## NEW BUSINESS

**REVIEW ALLOCATION OF THE TAX: (01:35:26)** Carlisa London said she would like more definition on the 2% of the resort tax that is being designated for promotion. Rich Forbis said he understood the City would look at starting a Visitors and Convention Bureau (CVB). Rick LaPiana said there would be a CVB as a separate entity under the Chamber of Commerce. Cindy Dooley explained that all of the resort tax money will flow into a single fund and expenses will be made out of that fund – that is what creates the accountability for the resort tax money. It was discussed that there are various ways to do promotion for the City and that it will need to be further defined. A CVB would be eligible for a portion of the State bed tax. The bed tax from this area now goes to our region's promotion efforts for "Glacier Country".

The tax allocation was recapped by Rick LaPiana. Paul Briney reminded the group that in Whitefish 25% of the tax goes towards property tax relief and that this is a big selling point. The group decided that property tax relief would be 15%. Cindy Dooley said that in Whitefish, they only look at the allocation based on the net tax – the amount that the City actually receives after the deduction for the 3% that the merchants retain. It was decided to make the net allocation of the tax be 15% for property tax relief, 80% for street re-construction and preservation including sidewalks, curb and gutter and storm drainage, 3% for City administration and 2% for promotion. When presenting the tax allocation, it was said that it needs to be clear that this is the allocation of the 97% of the tax that the City receives and that the merchant retains 3%. Rick LaPiana asked how taxpayers will receive their portion. City Manager Shrives said they would receive a rebate on their property tax statement. Cindy Dooley explained the two methods for distribution: one method is to take the total amount of the rebate and determine the number of mills that represents and each taxpayer would receive that amount of mills as a rebate – those that pay more tax would get more of the rebate. For example, if you had \$200,000 to rebate and each mill is worth \$10,000 that equates to 20 mills. A homeowner with a \$100,000 market value home would receive a rebate of about \$60. The other method is to divide the amount equally among all taxpayers. Carlisa London said we should make a decision on this. Cindy Dooley said she would check to see if this tax can be divided equally. Maybe the two options would be presented to the public.

**WORK ON PUBLIC MEETING PRESENTATION: (01:52:37)** Carlisa London said in a prior meeting there was a portion going to parks and water/sewer and wondered if this was still correct. It was agreed by the group that the entire project percentage will go only to streets. Becky Dupuis said this will relieve anxiety for taxpayers to know that all of the project money will go strictly to streets. City Manager Shrives said the Heart & Soul project indicated that streets were a main priority for the citizens. A discussion was held about deciding on whether to have a sunset provision for the tax. Rich Forbis suggested 20 years. Becky Dupuis asked if the citizens could vote it out by referendum prior to the sunset date and it was agreed that this was probably possible.

City Manager Shrives said the City staff would put the PowerPoint presentation together, but that the information in the form of outlines, etc would need to come from this council. Gerry Browning felt that the presentation should start with the projects that the City has done and what the sources of that money have been; and then show the streets and ask where that money will come from. Rick Forbis felt the group should present budget numbers for the street upgrades and preservation – let the citizens know how much the cost is to fix the streets. One thing that Whitefish did was identify streets in all neighborhoods, not just the downtown area, which would be on the priority list. City Manager Shrives said as part of the presentation, specific streets could be identified but the City would not want to commit to this. The City will provide all the financial information that is needed for the presentation. The group agreed that the best approach would be to present the problem first and then discuss the various funding alternatives. Becky Dupuis said this could be approached as “fresh money” coming into the City along with property tax relief. Jill Southerland said she did not recall anything being said about property tax relief when the resort tax was presented in 2009. City Manager Shrives said the group should think about what they would want to see in a presentation and then develop ideas to be submitted to the staff from that. Paul Briney said the school levy presentation had a lot of photos showing the problems. It was suggested that there should be a brochure or some documentation that citizens would take home with them. Jill Southerland suggested getting before and after pictures of the streets in Whitefish. It was suggested to get a variety of photos from all of the towns that have the resort tax. Pictures could be pulled from the Resort Tax study.

City Manager Shrives suggested that maybe the November ballot would be too soon and the council should consider putting the measure on the May 2016 ballot. Cindy Dooley said that it would be possible to do a special election like Whitefish did that would be held in January or February by mail-in ballot. Gerry Browning said that many of the resort tax measures from the study took more than one time before it was passed so this needs to be considered also. It was decided to see what the issues are from the public meeting and then make a determination on whether to recommend to the commission that it be placed on the general election ballot or on a special election ballot.

Cindy Dooley suggested setting some parameters for the meeting for how long each person can speak. It was suggested that there should be a whiteboard available to write on. There will be a speaker system available. Becky Dupuis said the council should not take a position about the resort tax, but should just present the available information and stay objective. Gerry Browning suggested having each council member present a portion of the information. Rich Forbis said he would start the meeting. Rick LaPiana said the business members on the council should present the issues that will affect the businesses. It was suggested that the main theme of the presentation should be information – helping the public understand what the tax is and what it would be used for.

The next meeting will be held on June 17, 2015 at 6:00 pm.

**PUBLIC COMMENT :** None

**The meeting was adjourned at 8:25 pm.**

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**Chairman Rick LaPiana**

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**Attest: Cindy Dooley, Staff Representative**