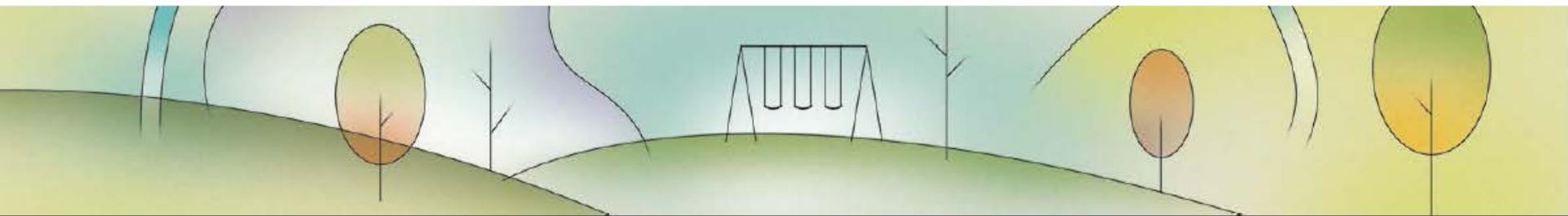


City of Polson  
Economic Development Council

# Resort Tax

## Informational Presentation





# Polson Economic Development Council

Advisory Board to the City Commission

Organized in May, 2015

## Members:

Becky Dupuis, Chairman

Paul Briney

Gerry Browning

Louis Cross

Rich Forbis

Carlisa London

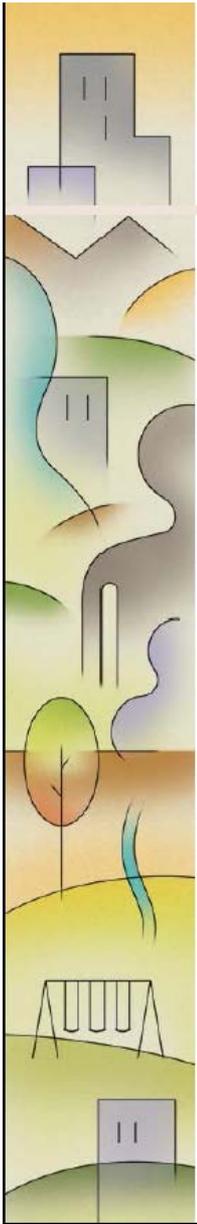
Jill Southerland, Commission representative

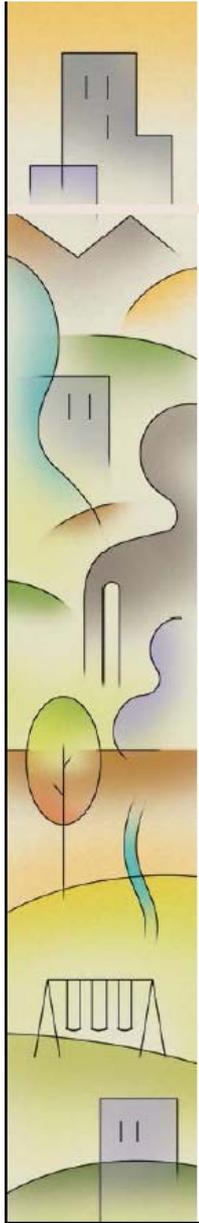
Cindy Dooley, Staff representative

*One open seat and one term renewal currently  
being advertised*

## Goals of the Economic Development Council

- Create a diversified council consisting of business leaders, economic development leaders and others
- Formulate and review an Economic Development Plan for the City
- Develop and enhance the economic strength of the city of Polson
- Explore funding options to help with needs expressed by the community

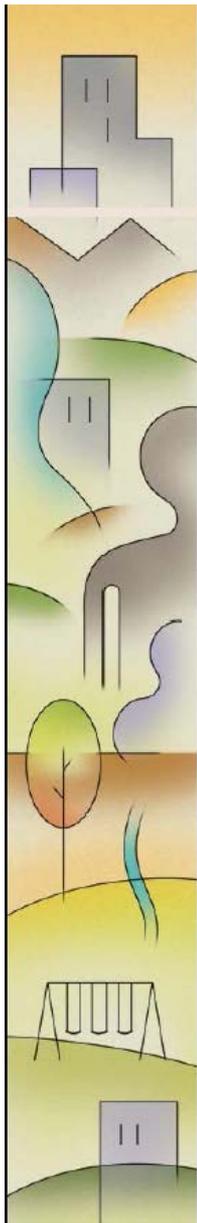




# Tonight's Presentation

## To the Polson City Commission

1. Provide information on City needs
2. Explore options/provide information on the Resort Tax, Gas Tax, Street Levy, SIDs and/or a combination of these revenue processes
3. Present Proposal
4. Questions



# What is the City's #1 Challenge?

**It's all about the Streets!**



This was also the Heart & Soul project's #1 governance value concern that came from the neighborhood meetings.



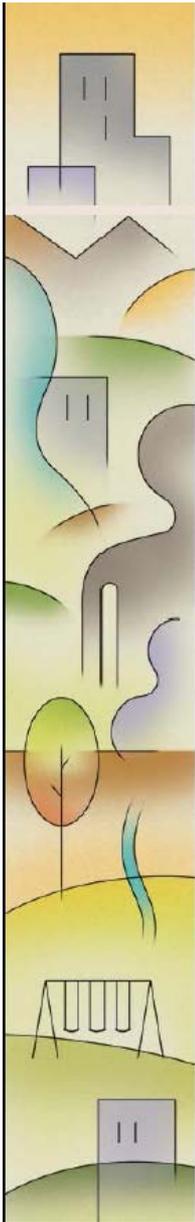
Main Street  
Streetscape project  
funded by CTEP,  
Sidewalk loan fund,  
SID and Tax  
Increment funding

## Current Street Department Funding

- **General Fund (tax dollars) operating expenditures have averaged \$184,591 per year over the last 4 years**
  - **Pays personnel costs**
  - **Pays administrative and operating costs for the department**
  - **Pays utilities, repairs and maintenance**
  - **Pays additional winter costs of snow removal**
- **In addition, equipment totaling \$258,430 has been purchased with grant funds in the amount of \$195,845 and \$62,585 in tax dollars over the last 4 years**

**Fuel Tax allocation revenue – City receives an average of \$99,000 per year (15-70-101 MCA )**

- **Total State Fuel tax dollars to allocate to incorporated cities and towns each year is \$10,360,000.**
- **Polson's allocation is less than 1% of this amount!**
- **Can be used for construction, reconstruction, maintenance and repair of the City's streets and equipment used to maintain the streets**
- **Currently this allocation is just enough each year to snow plow and de-ice the streets, durapatch the potholes, stripe the streets, pay for small paving jobs and set aside some money for future equipment purchases, down payments or debt service**

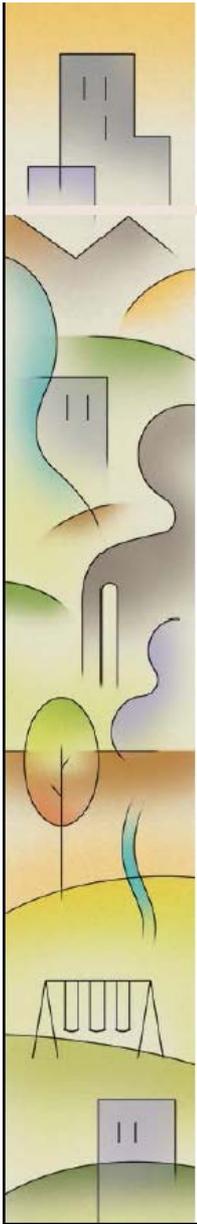
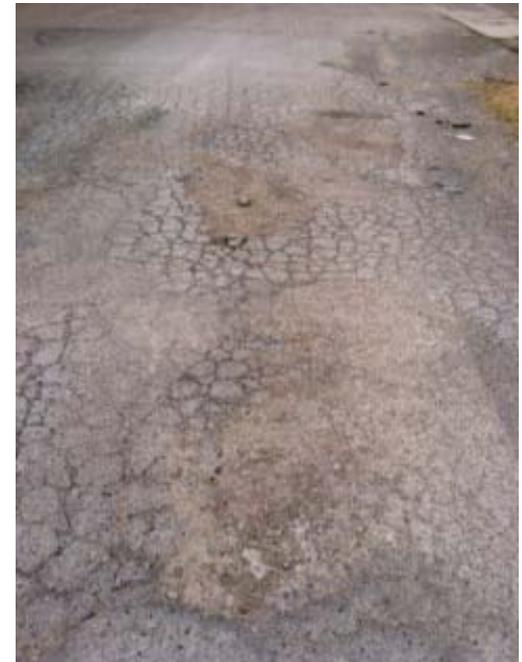


# Current Street Issues

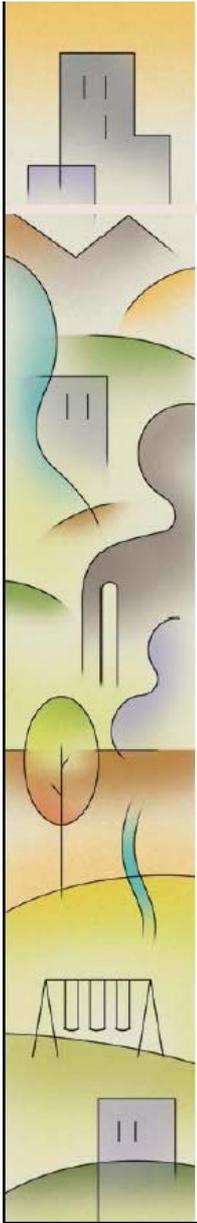


Lineal cracking on streets allows water to seep in. This pushes the asphalt up and leads to more cracking. Chip sealing on good streets can prevent further cracking. Streets like 3<sup>rd</sup> Street will need total reconstruction.

3<sup>rd</sup> Street



# Current Street Issues



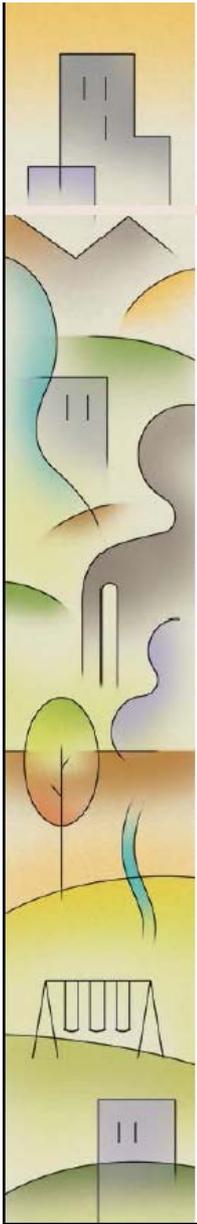
Fourth Avenue street slopes down to the curb

Curbs are disintegrating on numerous streets



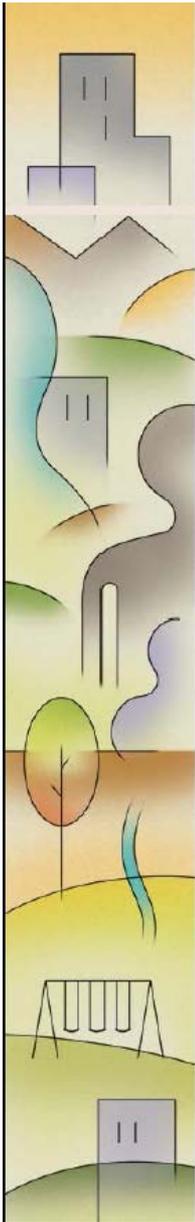
# How much does a reconstructed street cost?

- To rebuild one block of street it costs about \$300,000 including curb, sidewalk, storm drain, asphalt and engineering fees.
- Costs are rising every year
- The current City street department budget does not have enough funding for reconstruction!



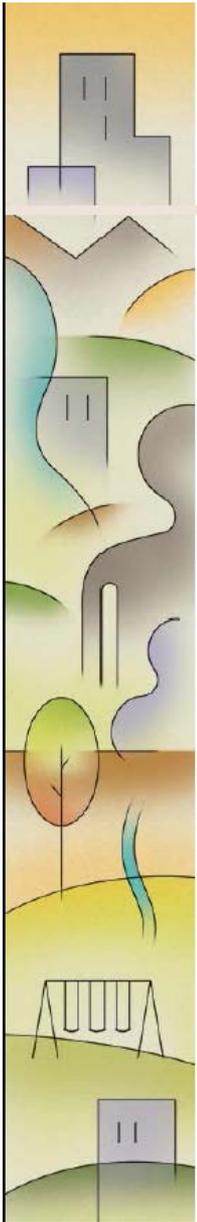
## What are the options for funding streets?

- Do nothing and allow the streets to disintegrate
  - However, survey results have shown that streets are the #1 concern for citizens
- Raise city taxes through a special levy (requires vote)
  - Only city taxpayers will pay for the street reconstruction and maintenance but others will drive on the street
- Implement SIDs (special improvement districts) on a street-by-street or defined area of streets for street reconstruction
  - Only property owners adjacent to the street will pay the SID but others will drive on the street
- Street Maintenance Districts
  - Property owners adjacent to the street are assessed to maintain the streets for chip sealing, seal coating, overlay, etc.
- Look for other sources of revenue
  - Grant funding is virtually nil for street reconstruction
  - 2 cent gas tax option (requires vote)
  - Montana resort tax option (requires vote)



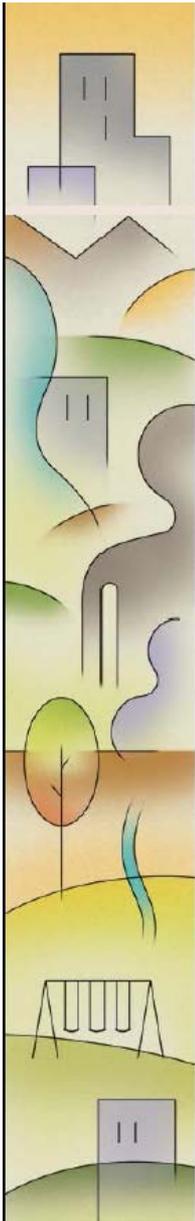
## How would the City implement a street tax levy?

- This would be a referendum (meaning it is proposed by the legislative body) ballot measure to assess all real property taxpayers in the City's taxing jurisdiction
- It would be a general levy based on assessed value of real property in the city
- The funds would be used for street maintenance and reconstruction
- For tax year 2015, one mill is worth \$8,858 in the City of Polson. This value will hopefully increase in tax year 2016 after certified values are received in August, 2016
- To raise approximately \$500,000 in tax year 2015 would have required raising 56.45 mills.
- Taxpayer A with a \$100,000 assessed value residence would have paid \$76.21 in tax year 2015
- Taxpayer B with a \$200,000 assessed value residence would have paid \$152.42 in tax year 2015
- Taxpayer C with a \$300,000 assessed value residence would have paid \$228.62 in tax year 2015
- Taxpayer D with a \$400,000 assessed value residence would have paid \$304.83 in tax year 2015



## What is a Special Improvement District (SID) and a Street Maintenance District?

- An **SID** is created by the Resolution process of the government
- An SID is created for a legally defined area in the City and includes only the property owners in that area. Property owners have the opportunity to protest the creation of the district.
- The property owners are assessed for the cost of the street reconstruction or other improvement that benefits their property.
- Assessment can be based on assessed property value, equal amount per parcel, square footage, lineal foot or a combination of these methods
- The City currently has one SID – SID #42 commonly known as Streetscape. Assessment was based on lineal foot with annual assessments ranging from \$606.25 to \$3,395.00 per year over 15 years
- A **Street Maintenance District** can be one city-wide district or multiple districts for chip sealing, seal coating, overlay, curb and gutter repair, etc.
- A Street Maintenance District is first created by ordinance which outlines a method of maintenance and how the maintenance is paid and then follows the SID resolution process



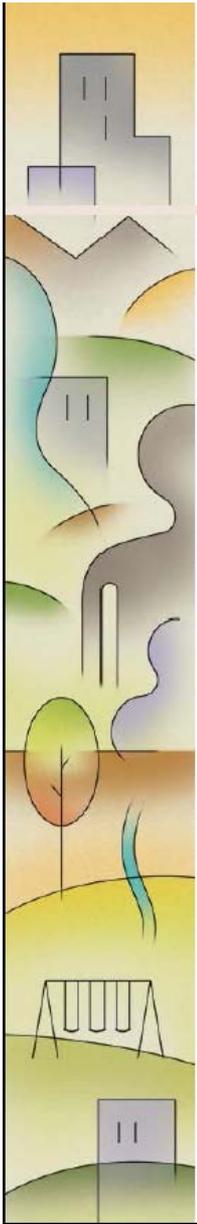
# Mission Bay – Hawk Drive Project



The Mission Bay Homeowners Association voted to assess themselves to pay for a chip sealing project on Hawk Drive. This was much less expensive than an SID. SIDs include more financial costs and wage costs due to government requirements.

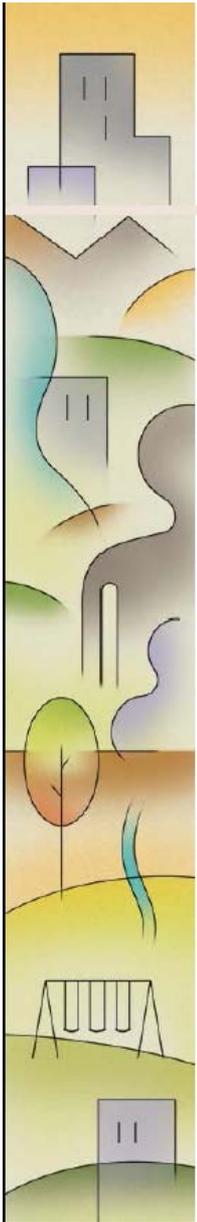


The City committed only labor and equipment to prepare the road as no other funding was available.



## What are the other Options Available?

- County governments can put forth a ballot measure for a **2 cent gas tax** to be added at the pump
- This is voted on by citizens that reside in that County
- The revenue is split 50% to the County and 50% to the incorporated cities in that County and is used for street maintenance and reconstruction
- The tax is collected by the distributor (retail outlet) and remitted to the County
- Possible legislation may be brought to the 2017 legislature to have the tax added at the wholesale level and remitted by the wholesaler to the County government
  
- A **resort tax** measure can be placed on the ballot by cities, towns or districts that qualify for designation as a resort area
- This is voted on by citizens that reside in that city, town or district

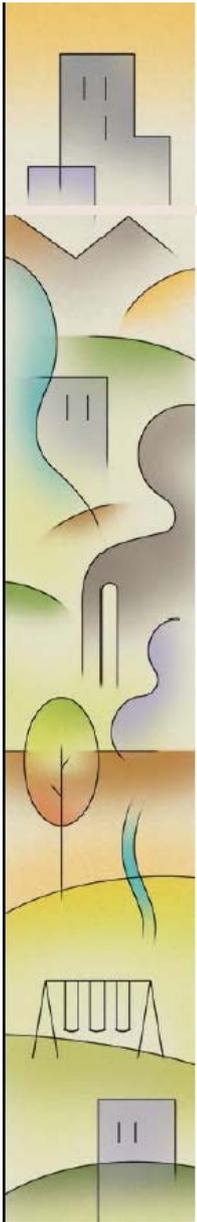


# Why does resort tax exist in Montana?

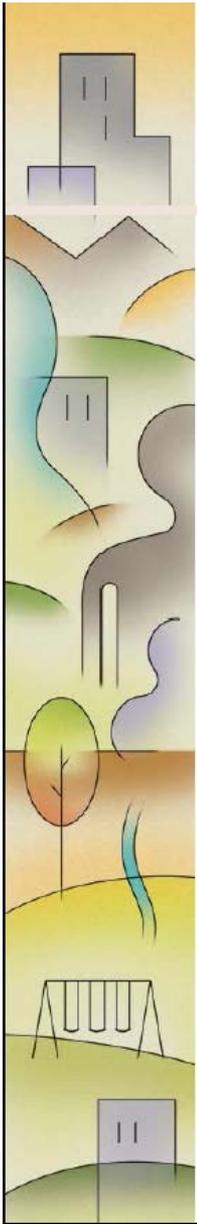
“Resort taxes serve the function of creating a funding source for designated resort areas to finance a variety of services.”

“It allows communities with high numbers of visitors, but relatively few residents, to manage the wear-and-tear on **local infrastructure** without overburdening **local citizens.**”

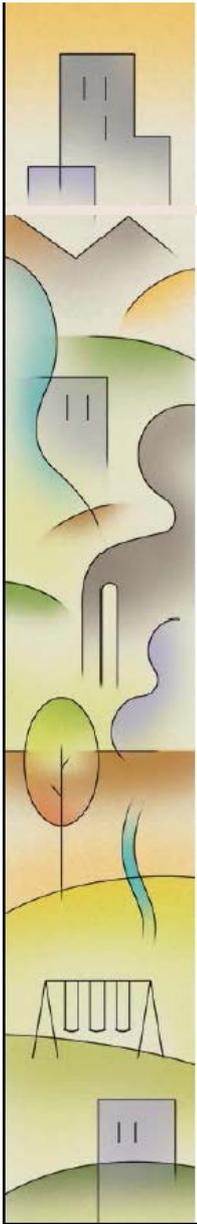
~Northern Rocky Mountain RC&D (Resource, Conservation & Development)



# Montana's Resort Tax Areas and Communities



Community	Year Implemented	Taxable Months	Annual Collections
Big Sky	1993	Year Round	\$3,524,021 (FY14)
Cooke City	2006	Year Round	\$138,854 (FY13)
Craig	2010	April 1 – November 15	\$81,426 (FY13)
Gardiner	2014	June 1 – September 30	~\$700,000 (FY15)
Red Lodge	1998	Year Round	\$713,562 (FY13)
St. Regis	1993	Year Round	\$180,000 (FY13)
Virginia City	1991	April 1 – October 1	\$65,000
West Yellowstone	1986	Year Round	\$2,746,685 (FY13)
Whitefish	1996	Year Round	\$2,000,000 (FY13)



Paving projects in West Yellowstone

# Montana Resort Tax Law

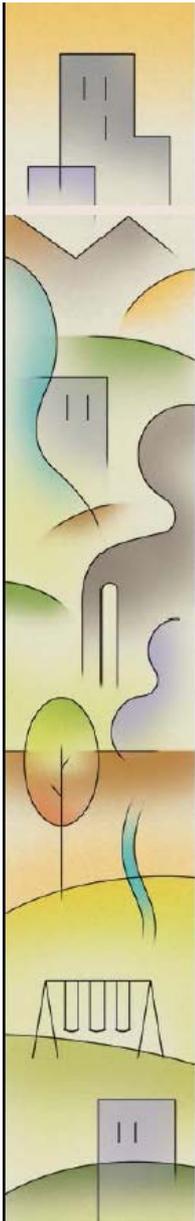
MCA – Title 7, Chapter 6, Part 15

A resort community is defined as:

- an incorporated city with a population of less than 5,500 according to the most recent federal census
- derives the primary portion of its economic well being from employment related to the recreational and personal needs of persons traveling to or through the municipality
- has been designated by the department of commerce (DOC) as a resort community

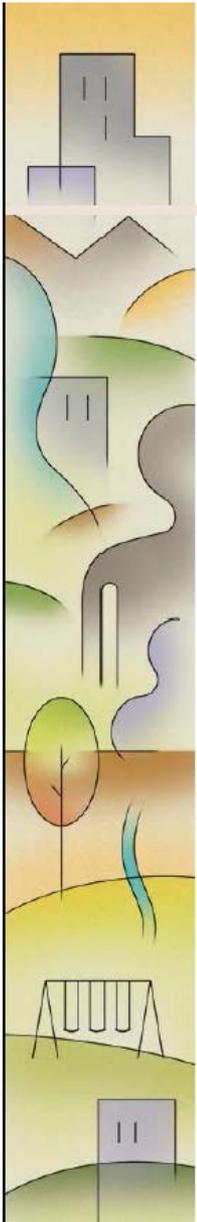
The city of Polson meets these requirements:

- Census population at 2010 is 4,488
- Has tourist related employment as the primary source of economic well being based on DOC analysis
- Received resort community designation on March 20, 2009 and was reaffirmed by DOC on May 21, 2015



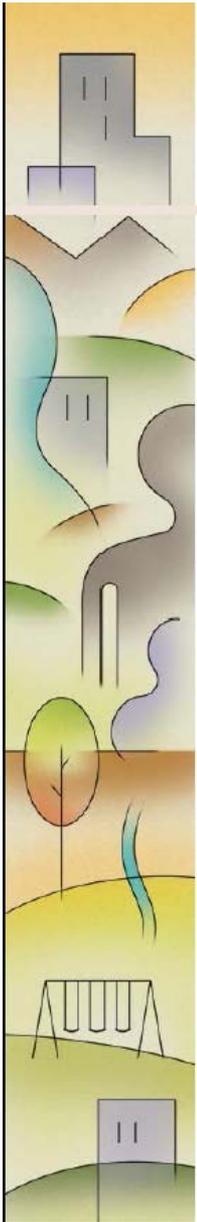
# History of Resort Tax in Polson

- A resort tax measure was presented to the City of Polson electorate on November 3, 2009, following several meetings and a public hearing. The measure was presented as a 3% tax for a ten year term, payable by non-exempt persons for use by the City for funding any activity, undertaking or administrative service that the municipality is authorized by law to perform.
- The measure was defeated by a vote of 186 For and 956 Against
- The City paid for a Resort Tax Community Assessment that was completed in June, 2014 that reviewed the cities and districts that currently have a resort tax and their issues faced in getting the tax approved and the implementation challenges and successes since approval. This study is available on the City's website at:  
<http://www.cityofpolson.com/pdf/MRTA.pdf>
- The EDC reviewed the study and began formulating a renewed presentation on the resort tax in May, 2015 as a source of funding for street reconstruction.
- The first town hall meeting was held on August 19, 2015



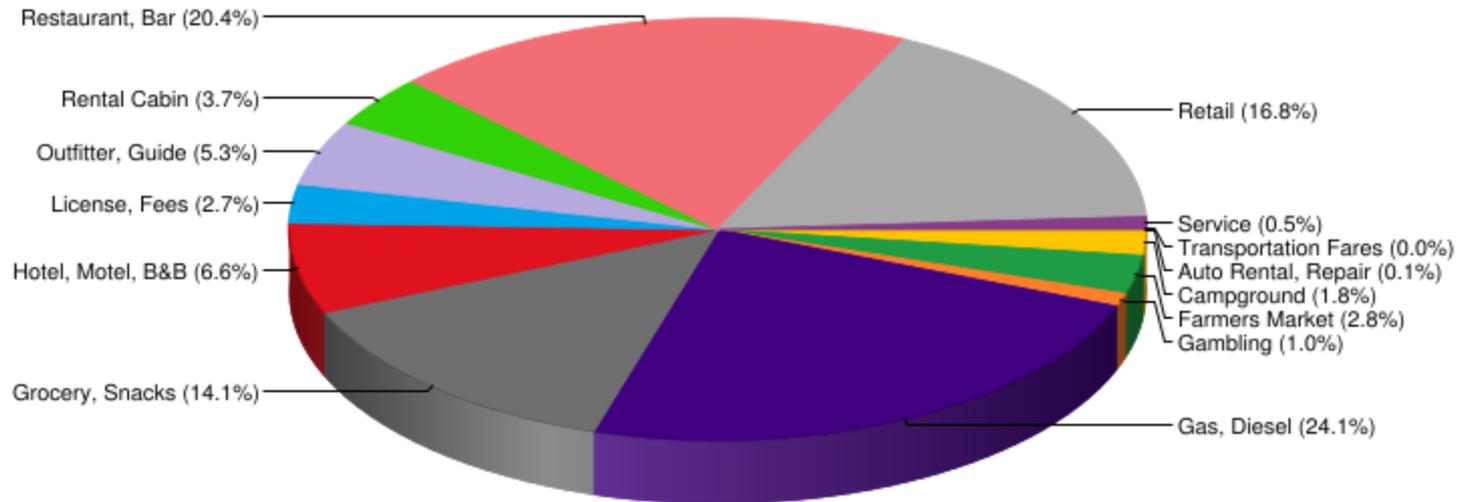
# Is Polson a Resort Community?

- Based on the Montana Department of Commerce qualification, Polson sees the most economic benefit from tourist related activity.
- 2014 Lake County Bed Tax Collections were \$157,886 for the second and third quarters of 2014 (4% of the lodging rate) (KwaTaqNuk does not collect the bed tax). The bed tax increased 7% over the 2013 collections. The second and third quarters of 2015 show an increase of 29% and 10% respectively over the same quarters in 2014.
- The biggest expenditures for tourists are gas, retail, restaurants and hotels in that order; retail, restaurants and hotels would be subject to a 3% resort tax.
- A 2015 report from the University of Montana Institute for Tourism and Recreation Research reported that nonresident traveler spending was \$32,567,000 for Lake County in 2014.



# Travelers Expenditures – Lake Co.

2014 Nonresident Expenditures % for Lake County: \$32,567,000



## Top 5:

1. Gas	\$7,863,000	24.1%
2. Restaurant/Bar	\$6,640,000	20.4%
3. Retail	\$5,474,000	16.8%
4. Groceries & Snacks	\$4,591,000	14.1%
5. Hotel, Motel, B&B	\$2,164,000	6.6%

This slide  
courtesy of  
Glacier  
Country  
Montana

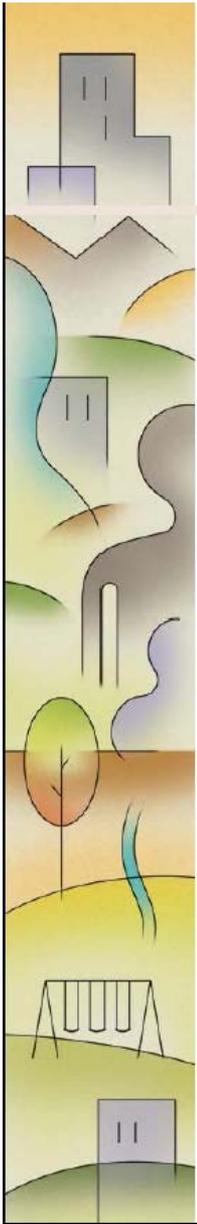
# What Items are Taxed by State Law?

The retail value of **all** goods and services sold, except for goods and services sold for resale, by the following establishments:

- Hotels, motels, and other lodging or camping facilities
- Restaurants, fast food stores, and other food service establishments
- Taverns, bars, night clubs, lounges, and other public establishments that serve beer, wine, liquor, or other alcoholic beverages by the drink
- Destination ski resorts or other destination recreational facilities.

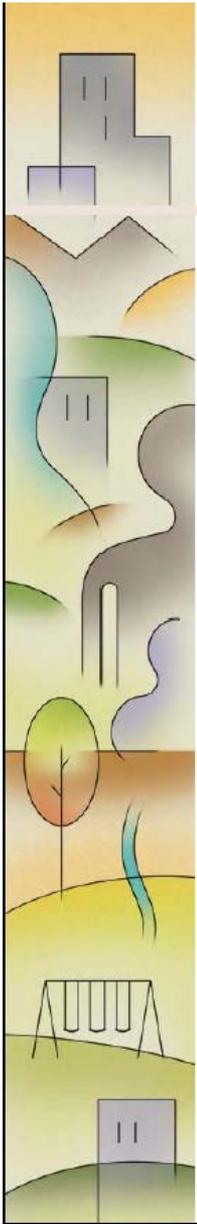


The retail value of luxury items (items defined by the resort community) by establishments that sell those items



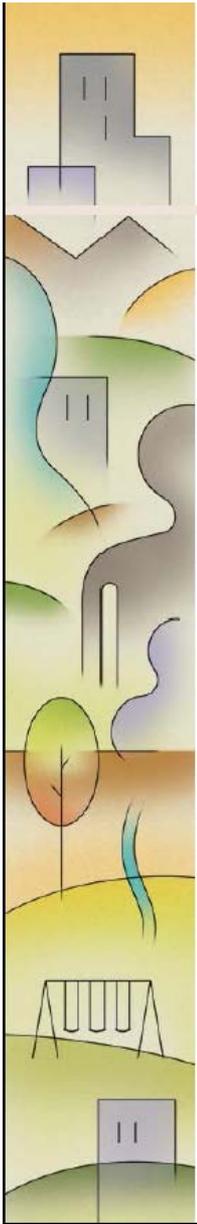
# What other establishments would typically collect the tax on luxury items?

- Retail establishments and street vendors selling any luxury item
- Fraternal Organizations if space is rented or used by the public and nonmembers
- Movie and Live Theaters
- Non-profit organizations unless activity is 100% for fund-raising
- Supermarkets/grocery stores selling any luxury item



## What are luxury items?

“Luxuries” – are defined by the MCA code as any gift item, luxury item, or other item normally sold to the public or to transient visitors or tourists. It does not include food purchased unprepared or unserved, medicine, medical supplies and services, appliances, hardware supplies and tools, or any necessities of life.



# The EDC's suggested luxury items

## Attractions:

- Arcades
- Bowling
- Concerts
- Golf
- Movies and Live Theater
- Rodeos
- Gate admissions and concessions

## Rentals:

- Autos, trucks, trailers, RVs, etc.
- Conference, convention or event rooms
- Pavilions and park shelters
- Marina boat slips
- Party and tent rentals
- Golf, ski and sports equipment
- Motorcycles, bicycles, ATVs, etc.
- Movie videos and games
- Boats, jet skis, etc.

## Services:

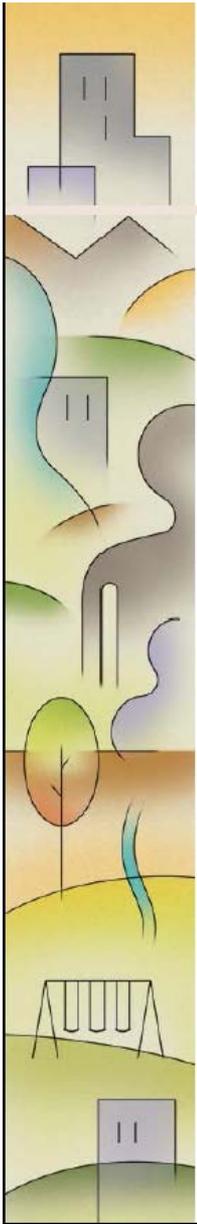
- Guides and outfitters:  
Hunting, fishing, rafting, horseback rides, etc.
- Wedding and event planners
- Catering services

## Retail Sales of the following:

- Batteries and film
- Cameras and supplies
- Books, including used books
- Candles
- Clothing
- Curios, decorative boxes and vases
- Cut flowers and floral arrangements
- Artificial flowers, trees and plants
- Finished craft items, including items sold at craft fairs
- Fireworks
- Gifts, gift tags, gift boxes and wrapping paper
- Jewelry and artwork
- Magazines and greeting cards
- Makeup and supplies, tanning lotions
- Motorcycles, boats, jet skis, etc.
- Perfume, cologne
- Pictures and picture frames, posters, etc
- Records, tapes, CDs, videos, DVDs
- Secondhand items, antiques, pawn shop items
- Souvenirs, imprinted and gift items
- Sporting goods including used and consignment
- Tobacco, tobacco products, e-cigarettes and delivery systems
- Toys
  
- Food delivery charges, but not tips
- Chips, nuts and seeds, granola bars, jerky
- Foodstuffs intended for immediate human consumption
- Soda pop, gum and candy
- Vending machine items
- Alcoholic beverages sold by the drink or at retail

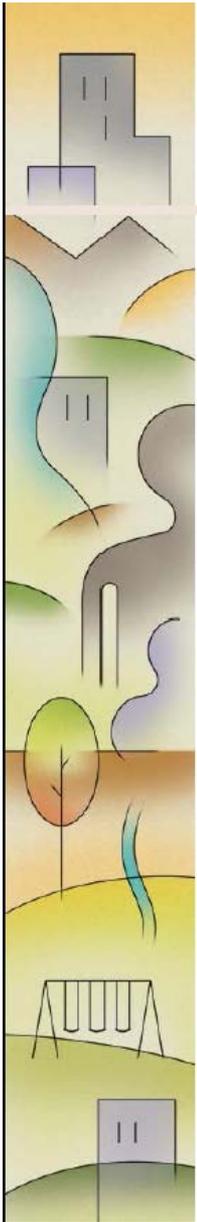
# Options for the Tax

- Flexible Rate: 0% to 3% - **EDC suggesting 3%**
- Year-round or Seasonal? – EDC suggesting **April 1<sup>st</sup> thru September 30<sup>th</sup>** collection dates each year
- Sunset provision: Standard term is 20 years – EDC suggesting **20 years**
- One **Special Revenue Fund** of the City for all collections and disbursements of the tax (revenue would not be placed in the General Fund)
- City of Polson would collect and disburse all funds
- EDC would advise City Commission on spending funds



# What about Tribal Exemptions?

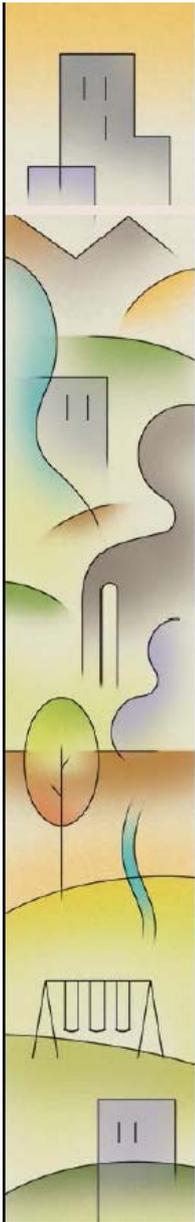
- Tribal enterprises on the reservation are not required to collect state or local taxes such as a bed tax or resort tax.
- Enrolled tribal members of the Confederated Salish and Kootenai tribes are not required to pay state and local employment taxes, excise taxes or property taxes (for property in trust or owned by the CSKT) while living and working on the Flathead Indian Reservation.
- Enrolled tribal members do pay the state gasoline tax but the State of Montana has an agreement to share the gasoline tax with the CSKT government.
- Enrolled tribal members would be required to show identification to be exempt from the resort tax similar to requirements in the state of Washington for Montana residents requesting exemption from Washington sales tax
- Merchants would retain signed documentation for the exempt sale
- It would **not** be the merchant's responsibility to identify tribal members exempt from the tax – this is the tribal member's responsibility.



# Proposed Spending Allocation

- 3% would be retained by the vendor to offset costs of implementation and collection
- The remaining balance of the tax would be allocated as follows\*:
  - 15% to property tax relief in the form of a rebate on property tax bills for city of Polson residents
  - 80% to street reconstruction and preservation including sidewalk, curb, gutter and storm drainage
  - 3% to the City to offset administrative costs of the tax
  - 2% to efforts to promote Polson possibly through a Convention and Visitors Bureau (CVB)
- **Monitoring spending**
  - The EDC or an appointed board would monitor the use of Resort Tax proceeds to assure compliance with the voter-approved Resort Tax Ordinance
  - The EDC would advise the City Commission on matters pertinent to approval or denial of street projects or expenditures. Ultimate decision would be reserved for the City Commission

\*This is 100% of the 97% that the City would receive



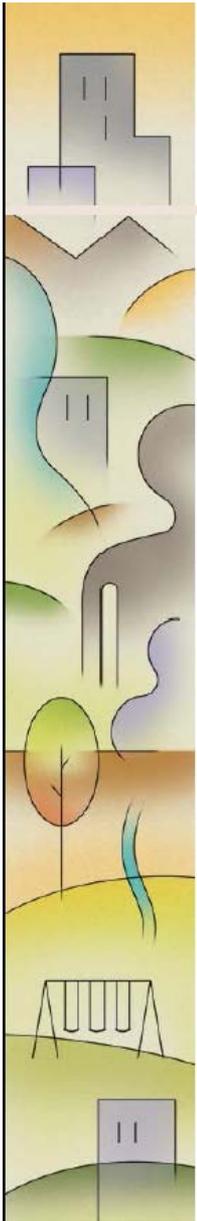
# Implementing the Tax

## How would the tax be collected?

- The tax would be collected by any establishment named in the MCA selling any good or service or by any merchant/vendor selling a product deemed as a luxury item within the city limits
- The tax would be collectible on purchases made beginning April 1<sup>st</sup> and continuing through September 30<sup>th</sup> each year
- Forms would be supplied to the vendor for payment calculation and exempt sales documentation and payments would be remitted monthly by the 15<sup>th</sup> of the following month to the city of Polson

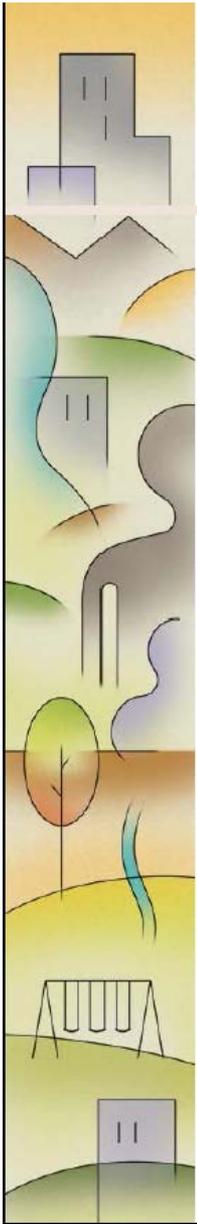
## Who would pay the tax?

- Any non-exempt person purchasing an item that has been deemed a luxury item or goods and services purchased from establishments listed in the MCA and the Resort Tax Ordinance



# Are Resort Tax Collections Public Information?

- Privacy is legally required to be maintained by the administrator collecting the tax
- Individual information on a vendor is never public information
- The City may distribute information on an aggregate basis by business type
- The City would contract with a licensed auditor to randomly audit 5 to 10 businesses each year for compliance



# How is the Resort Tax Collected?

The Resort Tax is collected at the register and should never be included on the price tags of items.



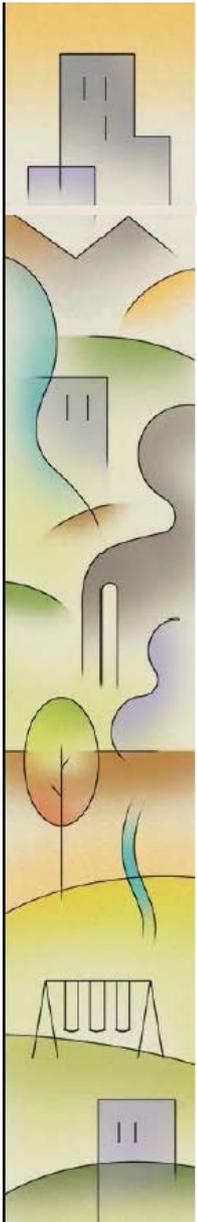
If an item costs \$15.00 the vendor will collect \$15.00 for the item and charge 45 cents extra in tax at the register. A vendor can also choose to absorb the tax (not collect extra from the customer) and then remit based on their gross taxable sales

Sample tax amounts:

\$5.00 item: tax would be 15 cents

\$50.00 item: tax would be \$1.50

\$75.00 item: tax would be \$2.25



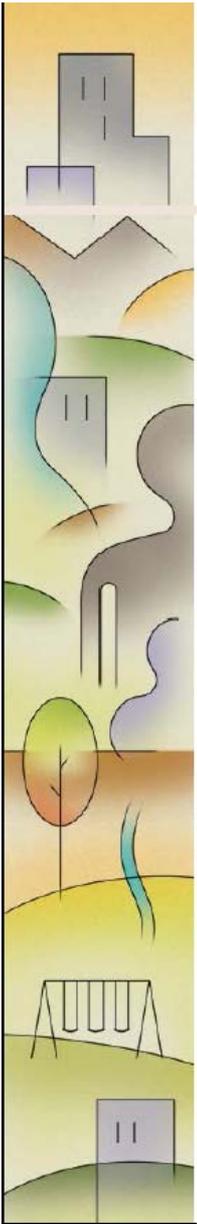
# Some Resort Tax Pros and Cons

## PROS

- Improve Polson's appearance with beautiful streets and sidewalks
- Capture tourist dollars that are going untapped
- Provide funds to promote Polson as a destination spot
- Provide property tax relief
- Could receive bed tax money if CVB started

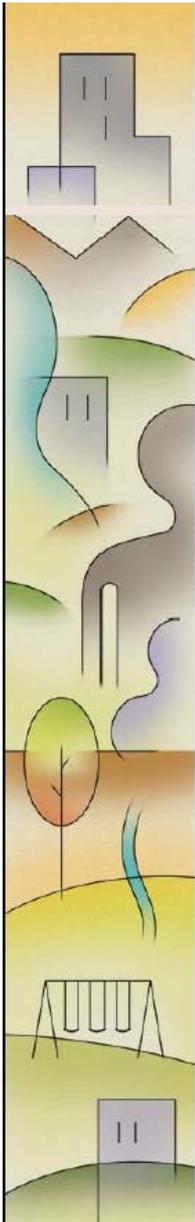
## CONS

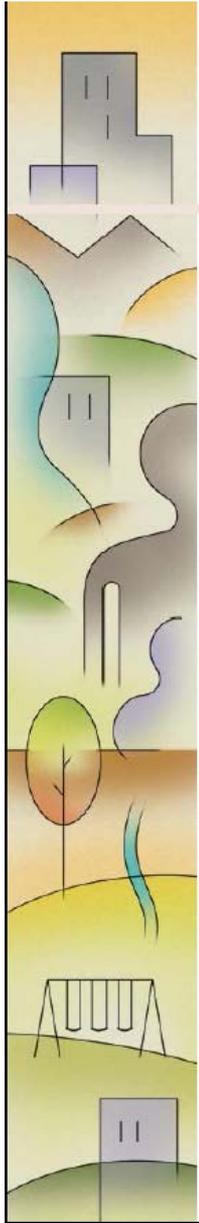
- Merchant Concerns:
  - Business may decrease
  - Sale issues if not using POS system
  - Bookkeeping issues
  - Similar business outside city won't collect tax
  - Tribal exemption
  - Audit concerns
- Public Concerns:
  - Local citizens may pay majority of the tax
  - Tribal exemption
  - It's a tax



# What are the steps to implementation of a resort tax?

- ✓ Be designated as a resort tax community
- ✓ Population under 5,500 as of last federal census
- ✓ Hold Public Meetings to inform public about the resort tax
  - ✓ EDC meetings with guest speakers
  - ✓ First town hall meeting held August 19, 2015 at the Middle School lunchroom
  - ✓ Presentations to business and civic organizations ongoing
- ○ Submit recommendation to the City Commission to place the resort tax measure on the ballot
  - Presentation by EDC to the City Commission
- Submit measure to the voters at a regularly scheduled election or a special election
  - EDC would recommend a general election ballot measure on November 8, 2016 (ballot measure would be submitted by August 15, 2016)
  - Continue information meetings, advertisement, brochures, etc. to educate
- If the resort tax is passed:
  - City Commission would pass a Resort Tax Ordinance to establish the law
  - City would work with vendors to establish collection methods
  - Collection would begin in April, 2017





# Economic Development Council Proposal to City Commission

**Place two referendum ballot measures on the November 8, 2016 general election ballot:**

- **The first ballot measure would ask the question of implementing a resort tax in the city limits of Polson:**
  - City Commission would pass a Resolution placing the measure on the ballot (must be submitted to the Election Office by August 15, 2016 for the general election)
  - City Commission would pass a Resolution of Intent indicating the establishments and luxury items that would be taxed
  - City Commission would hold public information meetings, advertise and have brochures and other information available to educate the public
- **The second ballot measure would ask the question of exceeding the City's statutory mill levy limit to fund the cost of reconstruction and preservation of the City's streets**
  - City Commission would pass a Resolution placing the measure on the ballot (must be submitted to the Election Office by August 15, 2016 for the general election)
  - City Commission would hold public information meetings, advertise and have brochures and other information available to educate the public

# Sample Ballot Language for Resort Tax

## BALLOT ISSUE

To reduce municipal property taxes; and  
To impose a resort tax in Polson of 3% on:

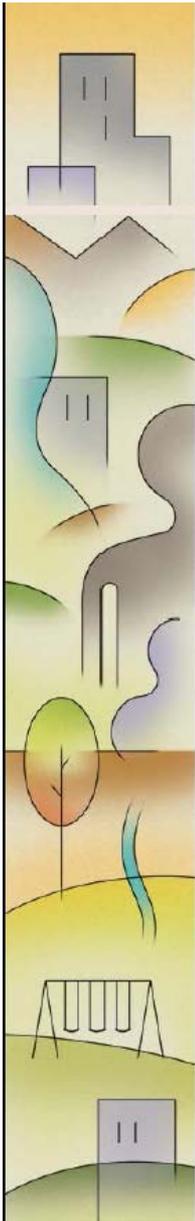
The retail value of all goods and services sold by lodging and camping facilities; restaurants, fast food stores, and other food service establishments; all public establishments serving alcoholic beverages by the drink; destination recreational facilities; and luxuries sold by other establishments.

The tax will take effect April 1, 2017, for the six months beginning April 1st and ending September 30<sup>th</sup> during each year for 20 years, and must be used as follows:

- 15% property tax relief;
- 80% reconstruction and/or preservation of existing streets, storm sewers, sidewalks, curbs, gutters;
- 2% Promote Polson through a convention and visitors bureau;
- 3% administrative costs.

\_\_\_\_\_ FOR the resort tax

\_\_\_\_\_ AGAINST the resort tax



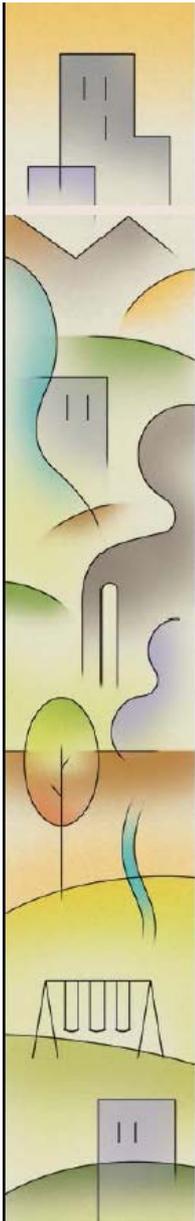
# Sample Ballot Language for Street Tax Mill Levy

## BALLOT ISSUE

That the City of Polson be authorized to exceed the Mill Levy limit provided for in state law (MCA 15-10-420) by annually levying 56.45 mills (“Mill Levy”) to fund the reconstruction and preservation of the existing streets and trafficways of the City of Polson. For 2015, a) the dollar amount to be raised from the Mill Levy is \$500,000.00; and b) the property tax impact of the Mill Levy is approximately \$76.21 on a home valued at \$100,000.00, and approximately \$152.42 on a home valued at \$200,000.00. The Mill Levy will expire at the end of Fiscal Year 2035.

\_\_\_\_\_ FOR the increased mill levy

\_\_\_\_\_ AGAINST the increase mill levy



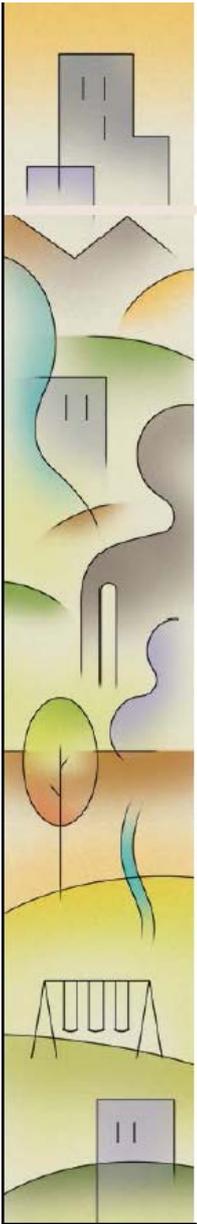
# Comparison of Resort Tax and Street Levy Ballot Measures

## RESORT TAX

- Referendum ballot measure
- Primarily for street reconstruction and preservation
- Tax is on purchase of goods and services
- Collected by vendors
- Tax paid by tourists and local citizens
- Provides property tax relief
- Can fund promotion of Polson

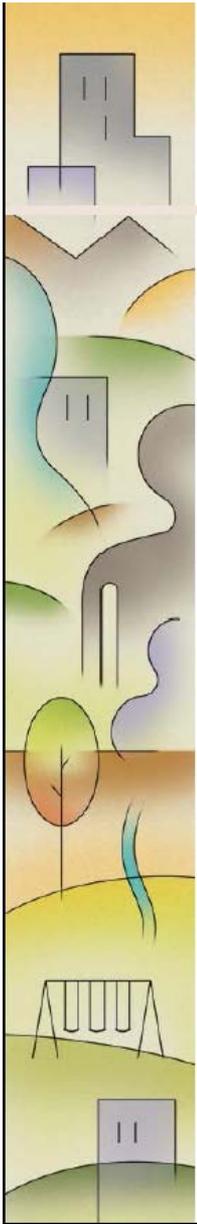
## STREET LEVY

- Referendum ballot measure
- Only for street reconstruction and preservation
- Tax is on real estate property in Polson
- Collected by County on property tax bill
- Tax paid only by property owners
- No property tax relief

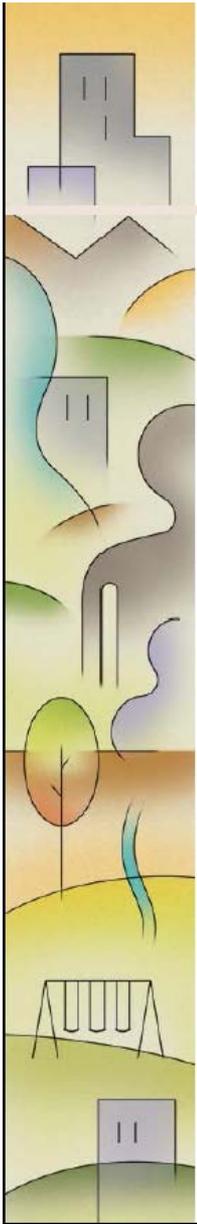


# Financial Comparison of Resort Tax and Street Tax Levy

- A street levy tax of \$76.21 per year paid by a property tax owner would be equivalent to purchasing \$2,540 worth of goods and services for lodging, bar and restaurant, fast food, recreation services and/or luxury items from April 1<sup>st</sup> to September 30<sup>th</sup>.
- For a taxpayer paying \$152.42 in tax this would be equivalent to purchasing \$5,080 worth of goods and services for lodging, bar and restaurant, fast food, recreation services and/or luxury items from April 1<sup>st</sup> to September 30<sup>th</sup>.



**It's all about  
finding funding for streets  
with the least impact  
to our Citizens!**



# More Information

The City had a Resort Tax Study prepared that is available on the City's website at:

<http://www.cityofpolson.com/pdf/MRTA.pdf>

The Economic Development Council members can be reached by contacting staff representative, Cindy Dooley at City Hall.

Phone 883-8204 or email at [finance@cityofpolson.com](mailto:finance@cityofpolson.com)

## QUESTIONS???

