

AGENDA ITEM SUMMARY

City Council



STAFF

Jennifer Poznanovic, Sales Tax & Revenue Director

SUBJECT

Items Relating to Amendments and Updates to Tax Provisions in City Code.

EXECUTIVE SUMMARY

A. First Reading of Ordinance No. 136, 2025, Amending Article III of Chapter 3 of the Code of Fort Collins Relating to Liquor Occupation Tax.

B. First Reading of Ordinance No. 137, 2025, Amending Articles II and III of Chapter 25 of the Code of Fort Collins Relating to Sales and Use Tax

C. First Reading of Ordinance No. 138, 2025, Amending Article IV of Chapter 25 of the Code of the City of Fort Collins to Increase the Threshold to Require a Written Settlement Agreement for Lodging Tax.

The purpose of this item is to recommend amendments to the Liquor Occupation Tax, the Sales and Use Tax, and Lodging Tax as part of the regular housekeeping and necessary updates to promote the health, safety and welfare of the community by providing for the accurate and efficient imposition, collection, and enforcement of the City's taxes.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinances on First Reading.

BACKGROUND / DISCUSSION

The various provisions of the City Code relating to taxes that are being recommended for amendment are as follows:

CHAPTER 3, ARTICLE VIII – Liquor Occupation Tax

Clarify liquor occupation tax penalty and interest in aggregate to add “annually”

Staff recommends amending Code Sec. 3-76(d) to specify that the 18 percent interest rate in the penalty and interest section of the liquor occupation tax accrues annually, rather than monthly.

CHAPTER 25, ARTICLE II

Change manufacturing use tax rebate application due date

In Code Sec. 25-65, staff recommend changing the Manufacturing Use Tax Rebate (MUTR) application due date from June 30th to April 30th. This change will allow sufficient staff time to review the applications and, if necessary, time for the taxpayer to petition and for staff review of any disallowed rebate amounts. The final rebate amounts must be sent to the City's Budget Office by mid-August to be included in the annual adjustment process which is finalized in the fourth quarter of the same year.

CHAPTER 25, ARTICLE III

Add manufacturing equipment to sales and use tax definition section of code

Staff recommend amending Code Sec. 25-71, in Article III of Chapter 25, in order to incorporate the definition from Code Section 25-63, in Article II of Chapter 25, of "manufacturing equipment." While the imposition of sales and use tax on manufacturing equipment is clear under existing code, aligning the definition in the tax code provisions with the rebate provisions provides clarity and consistency.

Street maintenance ¼ cent tax renewal

Staff recommend updating the rate of tax in Code Sec. 25-75(a)(2) to incorporate the extension by voter approval of the City's ¼ cent street maintenance tax until December 31, 2045.

Change period for a taxpayer to respond or seek review of notices of denials, delinquencies, and similar from 21 days to 30 days

Staff recommend amending the language in multiple Code Sections to allow taxpayers thirty (30) days, as opposed to the current twenty-one (21) days, to make payment on an assessment, petition the Financial Officer for a hearing, protest in writing to the Financial Officer, and file a final return due to the sale of the business. Staff recommends this change to better align City Code with the Colorado Revised Statutes Title 29 Section 29-2-106.1 – Deficiency notice--dispute resolution—repeal.

The Code sections being recommended for proposed amendment are: Sec. 25-94(c), Sec. 25-147(4), Sec. 25-168, Sec. 25-186(b) & 186(c) & 186(d), Sec. 25-191(a) & 191(b), Sec. 25-194(a)(1) & 194(a)(2), Sec. 25-258(e), Sec. 25-264, Sec. 25-265, Sec. 25-266, Sec. 25-276(b) & 276(c) & 276(d), and Sec. 25-278(a)(1) & (a)(2).

Trust funds and authority to require that funds be held in a segregated account

Staff recommend amending Code Sec. 25-117 to clarify the obligation of retailers holding sales tax in trust for the City of "tax money in possession of retailer held in trust". to add clarification regarding segregated accounts and to add provisions to authorize the Financial Officer to require a retailer to hold trust funds in a segregated account when the taxpayer has previously been delinquent in remitting trust funds, has not been timely in filing returns, or when the Financial Officer has good cause to conclude that trust funds are at risk

Providing taxpayers additional time to submit a project cost report before penalty and interest apply

Staff recommend amending Code Sec. 25-119(a) to add a deadline of ninety days (90) from the certificate of occupancy to submit a project cost report to the Financial Officer. The deadline of ninety days (90) allows sufficient time for contractors and owners to complete and submit their project cost report, after which penalties and interest will be applied.

Payment application priority

Staff recommend amending Code Secs. 25-123(e), 25-124(e), 25-250(g), and 25-279(f) to clarify the order in which taxpayer payments will be applied as follows: first to any penalties, second to interest, and finally to the tax due. The City's current tax collections software is already set up to apply payments using that priority.

Narrow the scope of intra-City tax information sharing

Staff recommends deletion of Subsection 25-166(g) to align with standard industry practices requiring that individual taxpayer information be collected and used for tax administration purposes.

Coordinated audits

Staff recommend amending Code Sec. 25-173 to align the periods limiting the City's right to recover amounts assessed through a coordinated audit with the periods which apply to other audits.

Lookback period for audits

Staff recommend amending Code Sec. 25-186(c), concerning the lookback period for audits, by referencing the three-year period in City Code Sec 25-225(a), rather than restating that period.

Taxpayer protest processes

Staff recommend amending Code Secs. 25-186(d), 25-186(e), and 25-220 to clarify and update the process by which a taxpayer may protest a notice of determination, assessment and demand for payment, or a tax deficiency owed or as a result of an audit by filing a petition for review by the Financial Officer.

Change to expressly include items that may have a lien in the lien and distraint sections of code

Staff recommends amending Code Sec. 25-189(a), providing clarity on the City's existing authority to collect unpaid taxes and updating outdated language and practices.

Increase the dollar threshold that requires a settlement agreement (sales tax)

Staff recommend increasing the amount that requires a settlement agreement on a waiver of sales and use tax be increased from \$10,000 to \$25,000 in Code Sec. 25-198(c), reducing staff time across several service areas.

A settlement agreement requires a signature from the legal department and the City's Financial Officer. Currently, waivers on a tax audit are usually for either a portion or all of the 10% penalty on the tax deficiency. The waivers do not require the taxpayer to file a formal petition, but a request for the waiver is submitted by the taxpayer to show good cause. Other waivers may include waiving the 10% penalty and 1.0% monthly interest on a single return which will typically be well below the threshold.

Chapter 25 of the Code allows the Financial Officer to compromise for good cause and settle assessed taxes or potential claim to taxes, penalties, interest, collection costs and other charges due to the City. Good cause may include legal and factual considerations, considerations of fairness and justice, and the financial inability of the taxpayer to pay a greater amount.

CHAPTER 25, ARTICLE IV

Increase the dollar threshold that requires a settlement agreement (lodging tax)

Staff recommend increasing the amount that requires a settlement agreement on a waiver of lodging tax from \$2,500 to \$25,000 in Code Sec. 25-281(c). This change to the Lodging Tax Code would align with the recommended increase in the threshold described above for sales and use tax settlement agreements and achieve the same efficiencies across several service areas.

CITY FINANCIAL IMPACTS

None.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

None.

PUBLIC OUTREACH

None.

ATTACHMENTS

1. Ordinance No. 136, 2025
2. Ordinance No. 137, 2025
3. Ordinance No. 138, 2025