



**FRUITA**  
COLORADO

## AGENDA ITEM COVER SHEET

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**TO:** FRUITA CITY COUNCIL AND MAYOR

**FROM:** MARGARET SELL, FINANCE DIRECTOR/CITY CLERK

**DATE:** DECEMBER 6, 2022

**AGENDA TEXT:** ORDINANCE 2022-30 – 2ND READING – An Ordinance Repealing and Re-enacting Chapter 5.04 of the Fruita Municipal Code concerning Business Licenses

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### BACKGROUND

The State of Colorado adopted SB22-032, which amended state-wide law on business licensing to expedite collection of sales/use tax. Key provisions of the law include:

- On and after July 1, 2022, by state law, the City cannot charge a fee for a business license, sales/use tax license, or other license to make retail sales in Fruita if the retailer has a state standard retail license but lacks a permanent physical presence in the City.
- On and after July 1, 2023, the City cannot require a separate license application for these retailers. The new law only applies to retail sales, and does not apply to occupational or other business license requirements.
- The legislation requires the Colorado Department of Revenue to require sufficient information to be collected from the retailer to ensure that concerns related to collection of sales and use tax revenue are addressed. The Department is required to work with local taxing jurisdictions to determine what information to collect and how to make this information available to taxing jurisdictions by July 1, 2023.

Since implementation of the Destination Source sales tax collections in 2019, the number of businesses who make retail sales to residents of Fruita through online sales and deliveries has increased dramatically. The City's practices have not required that these businesses obtain a business license. The purpose of this ordinance is to clarify that retail businesses that do not have a physical presence in Fruita are not required to obtain a business license.

In addition to amending the Code to incorporate the provisions of this new law, the language of Chapter 5.04 is outdated, repetitive and in need of updating to:

1. Reflect the current establishment of fees and charges by annual resolution adopted by the City Council as part of the annual budget process and consolidation of fee provisions,
2. Remove references to the position of the City Clerk as a result of the creation of the position of Licensing Officer in 1997, pursuant to Chapter 5.05 of the Code,
3. Reference Chapter 5.50, Issuance and Conditions of Licenses, that was adopted in 1997 establishing provisions for issuance or denial of licenses, posting requirements, and addressing renewal and transfers of licenses.

## **FISCAL IMPACT**

This Ordinance has minimal fiscal impact (less than \$2,000) in lost revenue from business licenses.

## **APPLICABILITY TO CITY GOALS AND OBJECTIVES**

The regulation and registration of businesses operating in the City provide for the health, safety and welfare of the citizens of Fruita and help maintain a database of information regarding various businesses for regulatory and informational purposes.

## **OPTIONS AVAILABLE TO THE COUNCIL**

- Adopt Ordinance 2022-30 as presented or with amendments
- Take no action and leave the existing regulations regarding business licenses in effect.

## **RECOMMENDATION**

It is the recommendation of the Fruita City Staff that the Council move to:

**ADOPT ORDINANCE 2022-30 REPEALING AND REENATING CHAPTER 5.04 OF THE  
FRUITA MUNICIPAL CODE CONCERNING BUSINESS LICENSES**