

## Town considers sales tax increase

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Town officials are proposing a sales tax increase that would generate an estimated \$480,000 in additional revenue each year.

The new tax — a 1/8 percent gross receipts tax (GRT) that would apply only inside the town limits — is meant to cover the increased cost of a proposed raise for town police officers, as well as to maintain operations like the Taos Youth and Family Center and public library without forcing the town to cut staff.

The tax would add an additional 13 cents per \$100 in taxable purchases.

The town council unanimously voted last week to put a plan in motion to adopt the new tax. The council has not yet formally voted on whether to approve the tax, but town staff members say they'd like to get it done quickly in order to start generating additional revenue.

According to a draft ordinance, the new GRT would be for “general purposes which may include, but are not limited to” public safety, affordable and workforce housing, economic development and “community enrichment.”

Town Manager Rick Bellis said that language reflects priorities identified by the town council. But he has cautioned that the town shouldn't restrict the uses of revenue.

The town of Taos' current GRT rate is 8.1875 percent.

The town does not collect all of that revenue. Instead, it is shared by the town, state, county and other governmental entities.

While the town's current GRT rate is above average compared to other parts of the state, it's not the highest.

Taos Ski Valley, for instance, has a rate of 8.6875 percent in place, and a portion of the city of Española that sits in Santa Fe County has a rate above 8.9 percent.

Town officials say a big reason for the proposed increase is so they can afford another \$2-an-hour raise for the town's police officers, which earn far less than the state average. That low pay contributes to a lot of turnover and vacancies in the police force, town officials say.

Members of the town council say they realized during recent budget planning sessions they had no choice but to raise taxes in order to maintain services and ensure public safety.

“I came to an understanding that this was not something that we could avoid doing,” Councilor Nathaniel Evans said at a meeting last week.

The proposal to increase GRT comes as the town is already seeing steady gains in its annual GRT revenue.

The town's fiscal year runs from July to the end of June. As of April 2016, year-to-date GRT revenues were up nearly 7 percent — or more than \$600,000 — compared to the same 10 months of the last fiscal year.

The town recently approved its budget for the upcoming fiscal year with the expectation that GRTs would increase another 5 percent next year. But Bellis and other town staff members have warned that such expectations might be overly optimistic, and they're hoping the additional tax will give them a buffer in case the economy does not continue to improve.

In fact, in an email to council members, Bellis called the 5 percent increase a "temporary ledger sheet remedy" that should be accompanied by the proposed GRT increase.

Bellis wrote that a dip in March revenue "underlies the continued uncertainty of the local and national economy and the need to not rely on monthly and annual increases as a reliable source of longterm operating revenue."

If approved, the town will have maxed out its gross receipts taxing authority. The town is also at the limit of its bonding capacity, meaning an additional general tax for town revenue would have to come through a property tax.

In 2010, the town council unanimously approved a similar GRT increase. Less than two months later, the same councilors unanimously voted to rescind it after significant public outcry.

The town's proposed GRT increase comes amid several tax and utility rate hikes. Earlier this year, voters overwhelmingly approved a new property tax to support Holy Cross Hospital.

Kit Carson Electric Cooperative is also asking for a rate hike that was protested by some customers.

In addition, the North Central Regional Transit District, operators of the "blue buses," will be asking voters to reauthorize an existing GRT to support public transportation.

And in November, another countywide GRT will likely be on the general election ballot. That tax would be dedicated to funding E-911 services. If approved, that tax would mean the town would no longer have to contribute around \$360,000 from its general fund each year to support those services.

There has been some talk at the town that the GRT increase might be repealed if the town at some point finds it can get by without it.



Rick Bellis

Katharine Egli

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