

November 25, 2013

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Non-Profits Task Force

Suggestions to Provide Additional Flexibility to Municipalities regarding imposition of Service Charges

These Draft Proposed Changes refer to Title 36 508. Service Charges

We Propose that:

- 1. Imposition.** A municipality (per it's vote in its standard voting process) may impose service charges on the owner of properties exempt from taxation under section 652 provided they meet thresholds listed in #2 below. Such service charges must be calculated according to the protocols listed in #3 and #4 below. And municipalities may choose to exempt some or all categories of A-J in section 652 for imposition of a service charge, provided that all owners within any category are treated the same.
(These properties include the items under section 652 with no exceptions as drafted here. *A Task Force option could be to exempt any portion of the properties listed in A-J in section 652.* Going forward, as drafted here, the decision as to which categories of properties would be eligible to receive a service charge would be left to discretion of the municipality.)
- 2. Size threshold.** An organization with annual gross revenues over \$250,000 from their site within the municipality may be considered for this service charge. (*A Task Force option could be to change the size upwards or downwards.*)
- 3. Calculation of Basis for allocating the Service Charge.** Such service charges must be calculated on an amount up to the full positive net difference of a). the actual cost of providing municipal services to that real property and to the persons who use that property less b). the actual value of contributed services provided locally by the property to the municipality. If the variance - call it c - is positive, the municipality may **collect** the service charge. In other words $a-b=c$ And if c is positive, the municipalities may apply the service charge to c. (Refer to c as net annual service costs.) **This is a significant change in the method of calculating the service charge, intending to be more fair while tying it more closely to costs.**

Example: Non-Profit Facility's annual gross revenues \$300,000 – thus it qualifies

Calculation of Net Annual Service Costs

a). Municipality's cost of providing services to the Non-Profit facility	\$50,000
b). Non-Profit Facility's contribution of services to the municipality	<u>-\$30,000</u>
c.) Net Annual Service Costs	\$ 20,000 – pos. variance

- 4. Limitation.** In no event will the total service charge levied by any institution or organization under this section exceed more than 2% of the annual gross revenues (cap). (*A Task Force option could be to alter the percentage cap.*)

Continuing the Example:

Initial calculation of service charge=	\$20,000
Calculation of cap on service =	$\$300,000 \times 2\% = \$ 6,000$

Therefore, the municipality could only charge up to \$6,000 Service Charge