

LFC PRESENTATION

City of Farmington

*Presented by
Mayor Tommy Roberts
July 19, 2017*





The Problem

Shrinking Tax Base

Total of Potential
GRT Revenue on
Sales of Goods and
Services

Existing
Exemptions,
Deductions and
Credits

Reduces Tax Base
by Approximately
50%

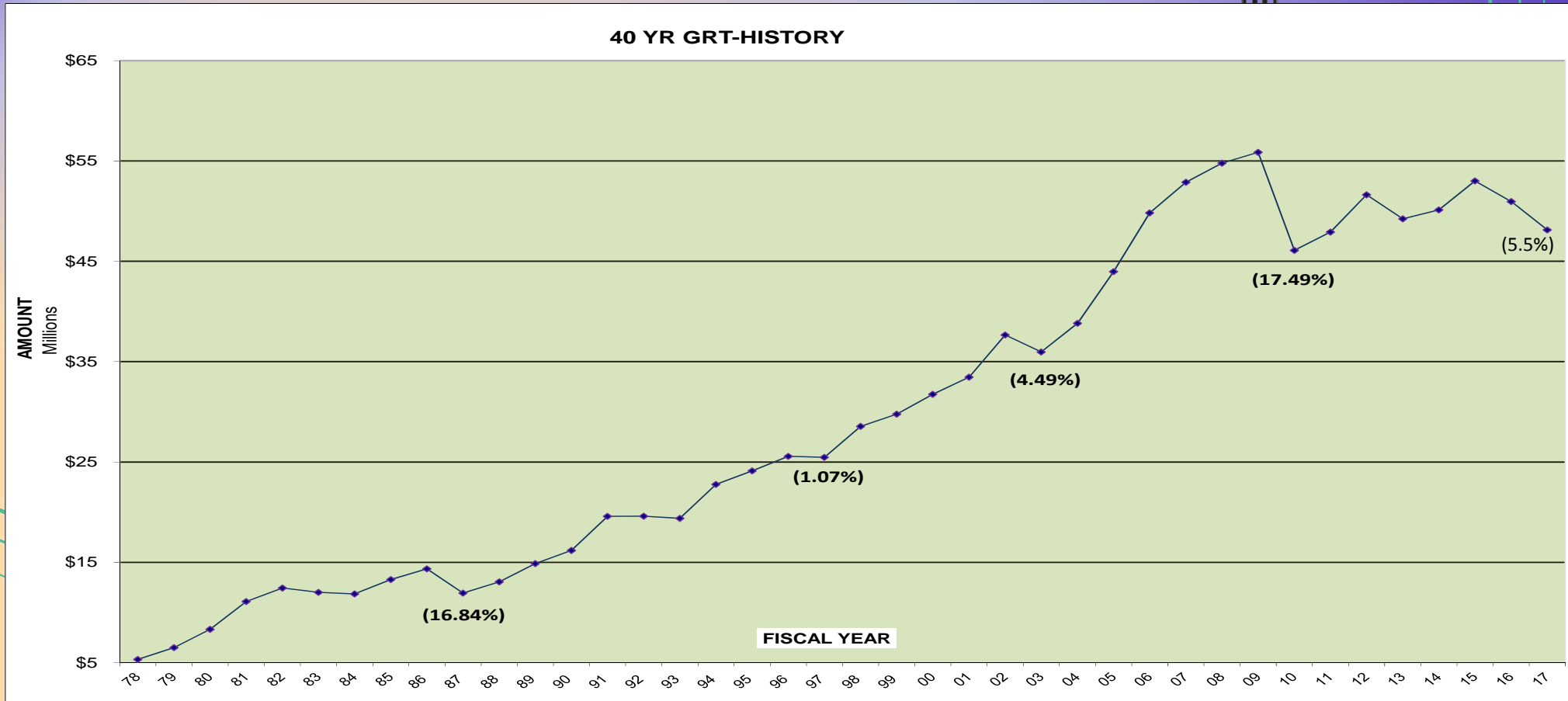
Internet
Sales

Further Reduces
Tax Base by
10%-20%

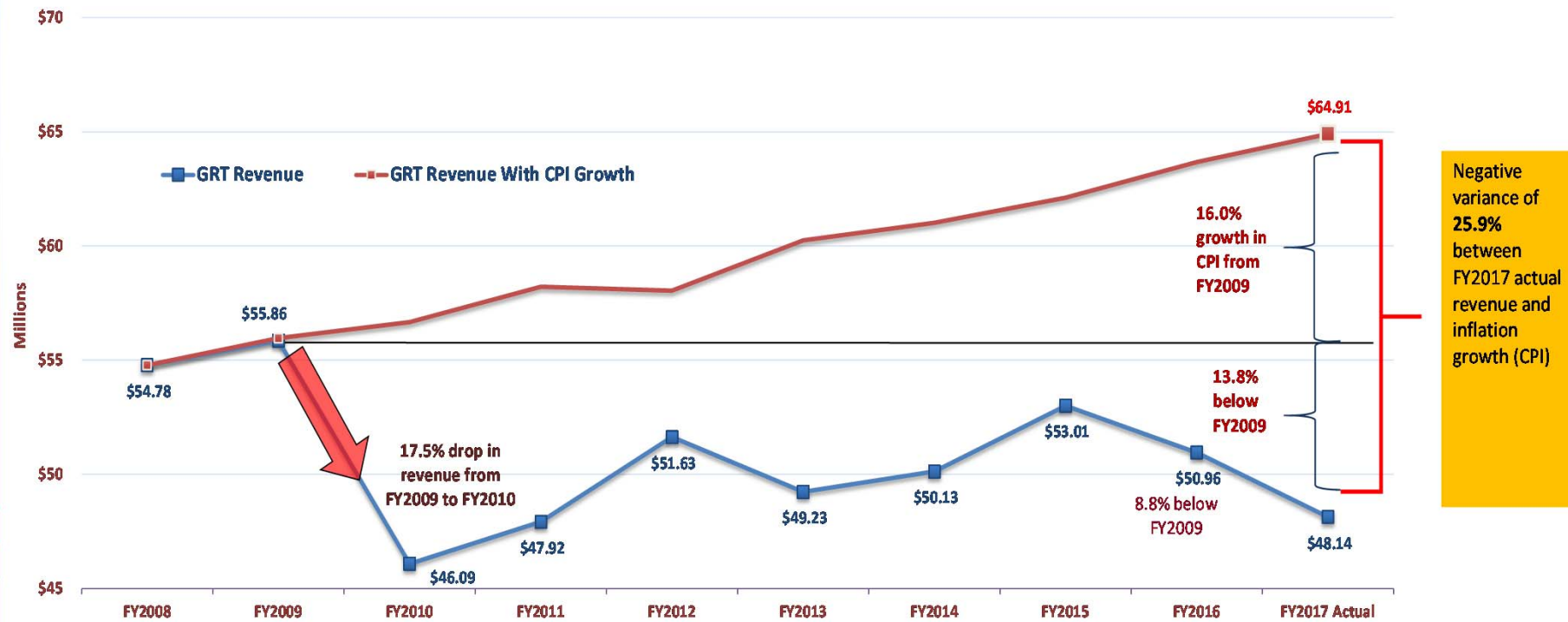
Job
Losses

Contributes to the
Contraction of the
Tax Base with Loss
of Buying Power
Associated with
Wages/Benefits

City of Farmington GRT – 40 Year History



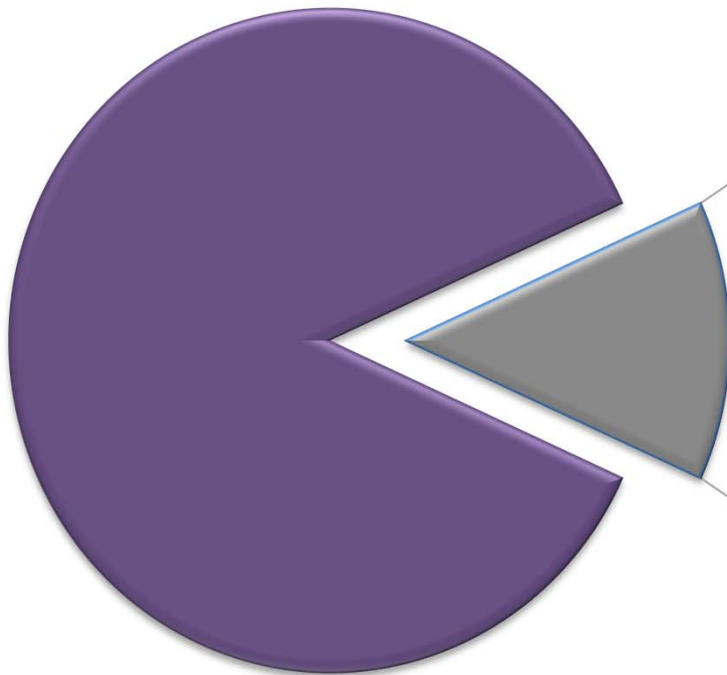
City of Farmington GRT





Hold Harmless GRT Reduction

Based on FY2017 Gross Receipts Tax of \$48.1M



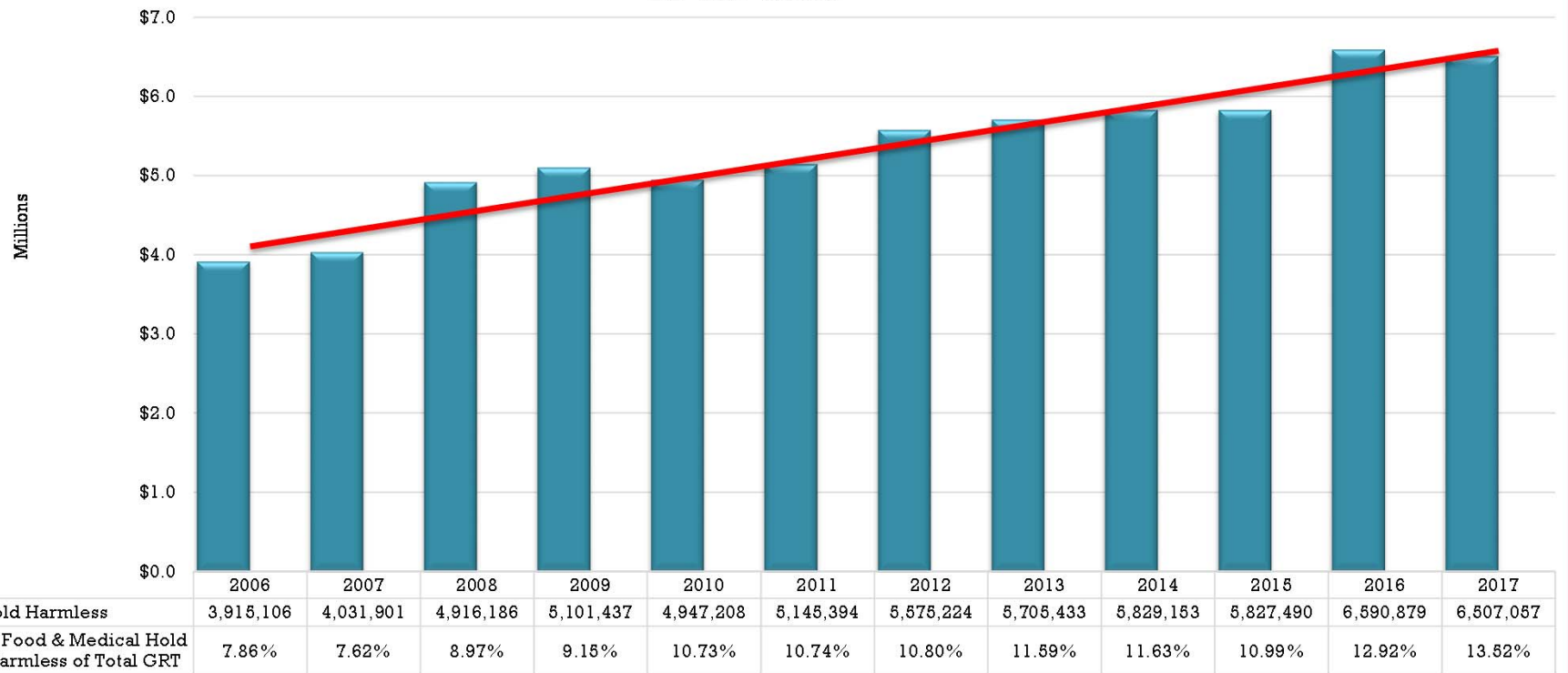
Amount of Food & Medical not included in Tax Base	\$6,507,060
Value of Imposed 2/8th (0.25%)	3,986,104
Deficit	(2,520,956)
Value of Unimposed 3rd 1/8th (0.125%)	1,993,052
Deficit	\$ (527,904)



Hold Harmless.

Food & Medical Total Distribution

12 Year Trend



City of Farmington – Tax Rate History



<i>Tax Rate History</i>	<u>2003</u>	<u>2004</u>	<u>2005*</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
City of Farmington Tax Rate	2.4125%	2.4125%	2.4125%	2.4125%	2.4125%	2.4125%	2.4125%	2.4125%	2.4125%	2.4125%	2.4125%	2.4125%	2.4125%	2.6625%	2.6625%
San Juan County Tax Rate	0.3750%	0.6875%	0.6875%	0.8125%	0.8125%	0.8125%	0.8125%	0.8125%	0.8125%	0.8125%	0.8125%	0.8750%	1.0625%	1.0625%	1.0625%
State of New Mexico Tax Rate	3.27500%	3.27500%	3.77500%	3.77500%	3.77500%	3.77500%	3.77500%	3.77500%	3.900%	3.900%	3.900%	3.900%	3.900%	3.900%	3.900%
Total Tax Rate	6.0625%	6.3750%	6.8750%	7.0000%	7.0000%	7.0000%	7.0000%	7.0000%	7.1250%	7.1250%	7.1250%	7.1875%	7.3750%	7.6250%	7.6250%

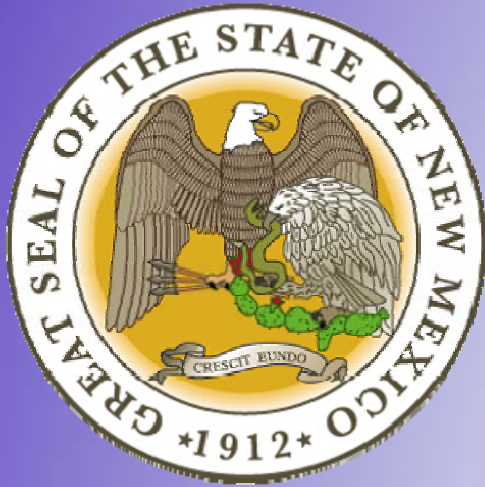
*No Tax on Food & Medical-Hold Harmless implemented

Summary of Tax Rates Implemented															
City of Farmington**														0.2500%	
San Juan County		0.3125%		0.1250%								0.0625%	0.1875%		
State of New Mexico			0.5000%						0.1250%						

**** The City of Farmington has not raised taxes since 1998 until the Hold Harmless increment was implemented in 2016**



State Revenue if Restore Food & Medical to The Tax Base



State Revenue If Tax On Food and Medical Restored			
	New Revenue @ 3.9%	Avoided Expense of Local Hold Harmless Payments	Total Increase in State Revenue
Food	\$132.5	\$105.5	\$238.0
Medical	\$36.6	\$28.9	\$65.5
	<u>\$169.1</u>	<u>\$134.4</u>	<u>\$303.5</u>

Internet Sales

Facts About E-Commerce

51% of Americans prefer to shop online.

51% of Americans think shopping online is the best way to shop.

30% of Americans shop online at least weekly.

The percentage of consumers expected to shop online during the 2016 holiday season, 56.5%, was almost identical to the percentage that expected to shop in department stores, 56.6%.



Amazon captured 43% of online retail sales in 2016.



A report from Forrester, titled “U.S. Cross-Channel Retail Forecast, 2015 To 2020,” predicts online sales will grow by an average annual rate of **9.32% over the next five years.**

Taxable retail sales (excluding food) for the City of Farmington in FY2017 was approximated at \$642 million. Assuming **10% - 20%** leakage to the internet, between **\$1.7 and \$3.4 million** of revenue was not received by the City to provide necessary services to the citizens of our community and the surrounding areas.

This loss equates to up to **5.7%** of the General Fund budget.



Fixing The Problem



1. Tax Reform

- Restore the tax base.

2. Tax Internet Sales

- Level the playing field for brick and mortar businesses.