

Occupational Privilege Tax (OPT) aka Head Tax



**COUNCIL MEETING
AUGUST 4, 2015**

Background



- Next step in the annual long range fiscal work of the City
 - Consideration of 1st reading of an OPT
- Discussed at the April 14 study session
 - IP included in the June 16 Council Packet
 - Discussed at the July 14 City Council meeting
- Tax derives its name from the base of the tax.
 - Income tax is reserved for the state
 - OPT is not an income tax – same amount for all income levels
 - Tax on the number of employees working for an organization
 - ✦ Includes those directly employed and by contract

Background



- Currently, five cities in Colorado have OPT

- Revenue amount depends on who is taxed and how much per employee per month
 - Employee only (x dollars per employee)
 - Employer only or match (x dollars per employee)
 - Both (x dollars per employee and employer match)
 - Exemptions:
 - ✦ Below a certain income per month
 - ✦ Governmental and non-profit employers (501 c 3)

Guidance Received for Proposed Ordinance



1. The rates and first year revenue to be determined during first reading ordinance consideration.
2. The tax would be on the employer and employee unless there is an exemption.
3. Exempt 501(c) (3) and governments as an employer. The tax would apply to the employees of the governmental organization unless they fall under the income exemption.
4. Revenue generated to be used for transportation projects, limitation eco passes, capital improvements and transportation programs. Council members expressed in interest in ensuring that the revenue source be flexible in its use.
5. Tax to be effective in the 3rd quarter of 2016 and be a perpetual tax.
6. Use Denver ordinance as a model for implementation.
7. Create a low income worker exemption that includes some discretion for council to set the rate.

Revenue Projections



- Based on: Number of jobs times rate per month – employers and employee pay less exemptions
- Per dollar of tax – Depends on level of income exemption
- Number of jobs used is from DOLA, CU and work being done on the Comp Plan update
 - Number used nearly 94,000 at 82 percent
 - ✦ Conservative
 - ✦ Accounts for those excluded due to exemptions
 - ✦ Based on numbers paid in cities that have data available

Estimated Revenue Projections



Down – Exempt level	\$1 EE	\$2 EE	\$3 EE	\$4 EE	\$5 EE
\$500/month - \$6,000	\$1.7 M	\$3.4 M	\$5.1M	\$6.8M	\$8.5M
\$1,700/month - \$20,400	\$1.5M	\$3.0M	\$4.5M	\$6.1M	\$7.6M
\$2,800/month - \$33,600	\$1.3M	\$2.6M	\$3.9M	\$5.2M	\$6.5 M

Expenditures



- **Transportation use**
 - Attachment C
- **Collection is more labor intensive than other taxes currently administered by the city.**
- **Increase in staff to license, administer, and collect**
- **If the tax is on the ballot and passes, a supplemental appropriation would be brought to Council.**
- **Ballot language est. revenue for full fiscal year so 2017**

Feedback Obtained from the Business Community

Attachment D



- The November 2015 ballot is too soon. More outreach is needed.
- Business growth benefits Boulder in numerous ways: increased tax revenue, jobs for Boulder residents, and added value to Boulder as a brand and city.
- The only way the tax would be supported is if the revenues went to directly benefit Boulder employers and employees.
- Need to clearly understand how much revenue the tax would generate.
- Head taxes affect lower and middle income employees the most.
- Creates a reason for businesses to consider leaving Boulder, following other policy decisions related to height limits, linkage fees, and energy/waste reduction.
- The name “Occupational Privilege Tax” implies that it is a privilege to work in Boulder.
- If the employer already provides Eco-Passes to all of their employees wouldn’t paying a tax for Eco-passes be paying for the same thing more than once?

Questions



- Does Council Want to place the OPT on the ballot for November, 2015?
- If yes,
 - Dedicated to Transportation services?
 - ✦ Specific services or all transportation services?
 - What rate?
 - ✦ **Different rates for employee and employer?**
 - Who should be included?
 - ✦ Employee only
 - ✦ Employer only
 - ✦ Employer and Employee with exemptions
 - What income exemption level per month?
 - ✦ Should employers with employees below exemptions level pay the tax?