



## Legislation Text

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**File #:** 21-033, **Version:** 2

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Ordinance No. 21-21 Creating Part 14 (Temporary Rebate Of 2% General Fund Portion Of City Sales Tax For Qualifying Restaurants For Lost Revenue As A Result Of The Economic Disruptions Due To The Presence Of Coronavirus Disease 2019 (Covid-19) Of Article 7 (Sales And Use Tax) Of Chapter 2 (Business Licensing Liquor Regulation And Taxation) Of The Code Of The City Of Colorado Springs 2001, As Amended, Pertaining To Temporary Rebate Of City Sales Tax

**Presenter:**

Charae McDaniel, Chief Financial Officer

**Summary:**

Due to the COVID-19 pandemic and ongoing public health emergency, many restaurants in the City, particularly those subject to mandatory capacity restrictions, have suffered severe revenue declines.

Many restaurants have been forced to choose between closing their business or laying off employees. By providing relief to certain restaurants, these businesses can continue to provide valuable services to their community and continue to employ individuals who would otherwise lose their jobs.

The restaurant industry is in particular need of relief in order to stabilize the economy of the City and to better position the City to recovery from the COVID-19 pandemic.

The attached Ordinance adds a new temporary section to the Sales Tax Code that provides a rebate to qualifying restaurants of actual sales tax paid for sales made in November 2020, December 2020, January 2021 and February 2021. The program is limited to the 2% General Fund portion of the City sales tax.

The State of Colorado and El Paso County have implemented similar sales tax rebate programs.

**Background:**

To be a "Qualifying Restaurant", the restaurant must meet the following criteria:

- A. Currently doing business in the City at the time of application; and
- B. Up to date on filing sales tax returns and payment of City sales tax; and
- C. Meets either of the following:
  - i. Five Percent (5%) or greater decrease of Net Taxable Sales in the 3rd quarter of 2020 as compared to 3rd quarter 2019; or
  - ii. Began sales of prepared food between November 1, 2019 and October 1, 2020; and
- D. Submit a timely application for the rebate and any additional information, if requested.

The Qualifying Restaurant shall submit a one-time Sales Tax Rebate Application to El Paso County at [SalesTaxRebate@elpasoco.com](mailto:SalesTaxRebate@elpasoco.com). If the Qualifying Restaurant is located within the City boundaries,

the application will be transmitted to the City for processing and eligibility determination.

Qualifying Restaurants may apply for the rebate for up to five (5) business locations. The Sales Tax rebate to any Qualifying Restaurant shall not be made for Net Taxable Sales of less than \$500 per month nor based upon Net Taxable Sales greater than \$70,000 per month. Rebates of City Sales Tax shall thus range between \$10 per month to \$1,400.00, per month for any one (1) location.

The City will issue rebate checks for the 2% General Fund portion of sales tax to eligible Qualifying Restaurants at the end of February 2021 for sales tax paid in December 2020 and January 2021, and at the end of April 2021 for sales tax paid in February 2021 and March 2021.

**Previous Council Action:**

N/A.

**Financial Implications:**

The estimate of sales tax rebated to Qualifying Restaurants is less than \$1 million in 2020, and less than \$1 million in 2021.

**City Council Appointed Board/Commission/Committee Recommendation:**

This item will be presented to the City Council Budget Committee at the January 12, 2021 meeting.

**Stakeholder Process:**

N/A

**Alternatives:**

N/A

**Proposed Motion:**

Move approval of the Ordinance Creating A Temporary Rebate Of the 2% General Fund Portion Of City Sales Tax For Qualifying Restaurants As Assistance For Lost Revenue As A Result Of The Economic Disruptions Due To The Presence Of Coronavirus Disease 2019 (Covid-19)

Creating A Temporary Rebate Of the 2% General Fund Portion Of City Sales Tax For Qualifying Restaurants As Assistance For Lost Revenue As A Result Of The Economic Disruptions Due Covid-19