

**APPENDIX B**

**MODEL MUNICIPAL ORDINANCE**

**FOR CITIES & MUNICIPALITIES WITH AUTHORITY UNDER W. Va. Code § 8-13c-4**

**ARTICLE \_\_. MUNICIPAL SALES AND USE TAXES.**

Table of Contents

§ 1. [Governing Body/City Council] Findings. .... 1  
§ 2. Definitions. .... 2  
§ 3. Imposition of Municipal Sales and Service Tax. .... 5  
§ 4. Imposition of Municipal Use Tax. .... 5  
§ 5. Calculation of Tax on Fractional Parts of Dollar. .... 6  
§ 6. State and Local Tax Bases. .... 6  
§ 7. Exceptions. .... 6  
§ 8. Credit Against Municipal Use Tax. .... 7  
§ 9. Tax cumulative. .... 8  
§ 10. Local Rate and Boundary Data Base; Changes. .... 8  
§ 11. State level administration. .... 9  
§ 12. Administrative procedures. .... 10  
§ 15. Automatic Updating. .... 10  
§ 16. Deposit of Taxes Collected in General Revenue Fund. .... 11  
    Alternative § 16. Deposit of Taxes Collect in Special Revenue Fund. .... 11  
§ 17. Issuance of Revenue Bonds. .... 12  
§ 18. Severability and Savings Clause. .... 13  
§ 19. Effective Date. .... 13  
§ 20. Notification of Tax Commissioner. .... 14  
CAVEATS: .... 14

**§ 1. [Governing Body/City Council] Findings.**

[When authority for imposing tax is W. Va. Code § 8-13C-4 and 5.]

(a) The [Governing Body/City Council] of the [City/Municipality of \_\_\_\_\_], West Virginia, hereby finds and declares that the adoption by this [City/Municipality] for its municipal sales and service tax and its municipal use tax provisions of the Code of West Virginia, 1931, as amended, relating to imposition, administration, collection and enforcement of the State consumers sales and service tax codified in W. Va. Code § 11-15-1 et seq., the State use tax

codified in W. Va. Code § 11-15A-1 et seq., and the Streamlined Sales and Use Tax Act codified in W. Va. Code § 11-15B-1 et seq. will (1) simplify collection of the Municipality's sales and use taxes, (2) simplify preparation of municipal sales and use tax returns by taxpayers, and (3) improve enforcement of the Municipality's sales and use taxes.

(b) The [Governing Body/City Council] does, therefore, declare that this article be construed so as to accomplish the foregoing purposes.

**§ 2. Definitions.**

(a) Terms used in this article or in the administration, collection and enforcement of the taxes imposed by this article and not otherwise defined in this article shall have the meanings ascribed to them in articles nine, ten, fifteen, fifteen-a and fifteen b, chapter eleven of the Code of West Virginia, 1931, as amended.

(b) As used in this article:

(1) "Business" includes all activities engaged in or caused to be engaged in by any person with the object of gain or economic benefit, direct or indirect, and all activities of the state and its political subdivisions, which involve sales of tangible personal property or the rendering of services when those service activities compete with or may compete with the activities of other persons.

(2) "City" or "this City" means the City of \_\_\_\_\_, West Virginia.

(3) "Code of West Virginia" or "W. Va. Code" means the Code of West Virginia, 1931, as amended from time to time by the West Virginia Legislature.

(4) "Municipality" or "this Municipality" means the Municipality of \_\_\_\_\_, West Virginia.

(5) “Person” means any individual, partnership, association, corporation, limited liability company, limited liability partnership or any other legal entity, including this state or its political subdivisions or an agency of either, or the guardian, trustee, committee, executor or administrator of any person.

(6) “Purchase” means any transfer, exchange or barter, conditional or otherwise, in any manner or by any means whatsoever, for a consideration;

(7) “Purchase price” means the measure subject to the taxes imposed by this article and has the same meaning as sales price;

(8) “Purchaser” means a person who purchases tangible personal property, custom software or a service taxed by this article.

(9) “Sale,” “sales” or “selling” have the meaning ascribed to those terms in article fifteen-b, chapter eleven of the Code of West Virginia.

(10) “Sales and use taxes” means the taxes imposed by sections [3] and [4] of this article.

(11) “Sales price” has the meaning ascribed to that term in article fifteen-b, chapter eleven of the Code of West Virginia.

(12) “Sales tax” means the tax levied by section [3] of this article.

(13) “Service” or “selected service” have the meaning ascribed to those terms in article fifteen-b, chapter eleven of the Code of West Virginia.

(14) “State sales tax” means the tax levied by article fifteen, chapter eleven of the Code of West Virginia, as amended.

(15) “State use tax” means the tax levied by article fifteen-a, chapter eleven of the Code of West Virginia, as amended.

(16) “Tax” means the taxes imposed by this article and includes additions to tax, interest and penalties levied under article ten, chapter eleven of the Code of West Virginia, 1931, as amended.

(17) “Tax Commissioner” means the Chief Executive Officer of the Tax Division of the Department of Revenue of this State, as provided in W. Va. Code § 11-1-1.

(18) “This state” means the State of West Virginia.

(19) “Ultimate consumer” or “consumer” means a person who uses or consumes services, tangible personal property or custom software.

(20) “Use” for purposes of the tax imposed by section [4] of this article means and includes:

a. The exercise by any person of any right or power over tangible personal property or custom software incident to the ownership, possession or enjoyment of the property, or by any transaction in which possession of or the exercise of any right or power over tangible personal property, custom software or the result of a taxable service is acquired for a consideration, including any lease, rental or conditional sale of tangible personal property or custom software; or

b. The use or enjoyment in this state of the result of a taxable service. As used in this definition, “enjoyment” includes a purchaser’s right to direct the disposition of the property or the use of the taxable service, whether or not the purchaser has possession of the property.

The term “use” does not include the keeping, retaining or exercising any right or power over tangible personal property, custom software or the result of a taxable service for the purpose of subsequently transporting it outside the [City/Municipality] for use thereafter solely outside this [City/Municipality].

(21) “Use tax” means the tax imposed by section [4] of this article.

(22) “Vendor” means any person engaged in this [City/Municipality] in furnishing services taxed by this article or making sales of tangible personal property or custom software. “Vendor” and “seller” are used interchangeably in this article.

### **§ 3. Imposition of Municipal Sales and Service Tax.**

For the privilege of selling tangible personal property or customer software and for the privilege of furnishing certain selected service, a vendor doing business in this [City/Municipality] shall collect from the purchaser the taxes imposed by this section and pay the amount of taxes collected to the tax commissioner at the same time and in the same manner as the consumers sales and service tax imposed by article fifteen, chapter eleven of the Code of West Virginia, 1931, as amended, are paid to the tax commissioner. The rate of tax shall be [may not exceed one percent] of the sales price, as defined in section two of this article of the tangible personal property, custom software or taxable service purchased or leased.

### **§ 4. Imposition of Municipal Use Tax.**

An excise tax is hereby levied and imposed on the use in this [City/Municipality] of tangible personal property, custom software and the results of taxable services, to be collected and paid to the tax commissioner as agent for the [City/Municipality] in the same manner that state use tax is collected under article fifteen-a and article fifteen-b, chapter eleven of the Code of West Virginia, 1931, as amended, and remitted to the tax commissioner. The rate of tax shall be one percent of the purchase price, as defined in section two of this article, of the tangible personal property, custom software or taxable service used within the [City/Municipality].

## **§ 5. Calculation of Tax on Fractional Parts of Dollar.**

The tax computation under section [3] and section [4] of this article shall be carried to the third decimal place and the tax rounded up to the next whole cent whenever the third decimal place is greater than four and rounded down to the lower whole cent whenever the third decimal place is four or less. The vendor may elect to compute the tax due on a transaction on a per item basis or on an invoice basis provided the method used is consistently used during the reporting period but the method used shall be the same as that used for purposes of computing the state sales or use tax.

## **§ 6. State and Local Tax Bases.**

The taxable base of the taxes imposed by sections [3] and [4] of this article shall be identical to the sales and use tax base of this State except as provided in section [7] of this article, unless otherwise prohibited by federal law, as required by W. Va. Code § 11-15B-34.

## **§ 7. Exceptions.**

The taxes imposed by this article do not apply to:

- (1) The sale or use of motor fuel, as defined in article fourteen-c, chapter eleven of the Code of West Virginia, 1931, as amended.
- (2) The sale or use of motor vehicles upon which the tax imposed by section three-c, article fifteen, chapter eleven of the Code of West Virginia, 1931, as amended, is paid.
- (3) The purchase or use of any tangible personal property, custom software or service that the [City/Municipality] is prohibited from taxing under the laws of this state or of the United States.
- (4) The sales tax imposed by section [3] of this article does not apply to any transaction

that is exempt from the tax imposed by article fifteen, chapter eleven of the Code of West Virginia.

(5) The use tax imposed by section [4] of this article does not apply to any purchase upon which the sales tax imposed by section [3] has been paid.

### **§ 8. Credit Against Municipal Use Tax.**

(a) A person is entitled to a credit against the use tax imposed by section [4] of this article on the use of a particular item of tangible personal property, custom software or results of a taxable service equal to the amount, if any, of sales tax lawfully paid to another municipality for the acquisition of that property, custom software or service: *Provided*, that the amount of credit allowed may not exceed the amount of use tax imposed by section [4] of this article on the use of the tangible personal property, custom software or results of the taxable service in this [City/Municipality].

(b) For purposes of this section:

(1) "Sales tax" includes a sales tax or compensating use tax imposed on the sale or use of tangible personal property, custom software or the results of a taxable service by the municipality in which the sale occurred; and

(2) "Municipality" includes all municipalities of this State or of any other state of the United States.

(c) No credit is allowed under this section for payment of any sales or use taxes imposed by this State or any other state. For purposes of this paragraph, "state" includes the 50 states of the United States and the District of Columbia but does not include any of the several territories organized by Congress.

## **§ 9. Tax cumulative.**

The taxes imposed by this article are in addition to other taxes imposed on the sale or use of tangible personal property, custom software or taxable services including, but not limited to, the State consumers sales and service tax imposed by article 15, chapter 11 of the W. Va. Code; the State use tax imposed by article 15A, chapter 11 of the W. Va. Code; the public utility tax imposed by this [City/Municipality] pursuant to section 5a, article 8 of the W. Va. Code; the amusement tax imposed by this [City/Municipality] pursuant to section 6, article 13, chapter 8 of the W.Va. Code; the tax on sales of alcoholic liquors and wine imposed by this [City/Municipality] pursuant to section 6, article 13, chapter 8 of the W. Va. Code; the hotel occupancy tax imposed by this [City/Municipality] pursuant to article 18, chapter 7 of the W. Va. Code; and the special district excise taxes imposed by a county pursuant to W. Va. Code § 7-22-1 *et seq.* or a municipality pursuant to W. Va. Code § 8-38-1 *et seq.*

## **§ 10. Local Rate and Boundary Data Base; Changes.**

(a) The tax commissioner is required by W. Va. Code § 11-15B-35 to maintain a database for all jurisdictions levying a sales or use tax in this State. The [recorder] shall furnish the tax commissioner with information the tax commissioner requires for that database that will allow the tax commissioner to maintain a database that assigns each five-digit and nine-digit zip code within the [City/Municipality] to the proper rate of tax. If any nine-digit zip code area includes area outside this [City/Municipality], the single state and local rate assigned to that area in the tax commissioner's database will be the lowest rate applicable to that area: *Provided*, that, when sales occur at and are sourced to a physical location of the seller located in the [City/Municipality] in that nine-digit zip code area, the seller shall collect the tax imposed by section [3] of this article.



(b) Whenever boundaries of the [City/Municipality] change, whether by annexation or de-annexation, the [recorder] shall promptly notify the tax commissioner in writing of the change in boundaries; provide the tax commissioner with the nine-digit zip code or codes for the area annexed or de-annexed; and any other information the tax commissioner may require to maintain the database. An ordinance annexing property into the [City/Municipality], or an ordinance removing property from the corporate limits of the [City/Municipality] may not take effect any sooner than the first day of a calendar quarter that begins 60 day after the [City/Municipality] provides written notice to the tax commission of a change in the boundaries of the [City/Municipality].

(c) The nine-digit database shall be maintained by the [City/Municipality] until such time as the tax commissioner allows use of a different system to determine whether a location is within or outside the corporate limits of the [City/Municipality].

## **§ 11. State level administration.**

(a) The tax commissioner is responsible for administering, collecting, and enforcing the taxes imposed by this article as provided in W. Va. Code § 8-13C-6 and § 11-15B-33. (b) The tax commissioner may retain from collections of the taxes imposed by this article the fee allowed by W. Va. Code § 11-10-11c or by any other state law or legislative rule.

(c) The tax commissioner shall deposit all the proceeds from collection of the taxes imposed by this article, minus any fee for collecting, enforcing and administering taxes retained under this section, in the subaccount for this [City/Municipality] established in "municipal sales and services tax and use tax fund," an interest-bearing account created in the State treasury pursuant to W. Va. Code § 8-13C-7. All moneys collected and deposited in the subaccount for the

[City/Municipality] shall be remitted at least quarterly by the State Treasurer to the [City/Municipal] [treasurer], as provided W. Va. Code § 8-13C-7.

## **§ 12. Administrative procedures.**

Each and every provision of the West Virginia Tax Procedure and Administration Act set forth in article ten, chapter eleven of the Code of West Virginia applies to the administration, collection and enforcement of the sales and use taxes imposed pursuant to this article, except as otherwise expressly provided in article thirteen-c, chapter eight of the Code of West Virginia, with like effect as if that act were applicable only to the taxes imposed by this article and were set forth in extenso in this article, as provided in W. Va. Code § 8-13C-6.

## **§ 13. Criminal Penalties.**

Each and every provision of the West Virginia Tax Crimes and Penalties Act set forth in article nine, chapter eleven of the Code of West Virginia applies to the administration, collection and enforcement of the municipal sales and use taxes imposed pursuant to this article with like effect as if that act were applicable only to the taxes imposed pursuant to this article and were set forth in extenso in this article, as provided in W. Va. Code § 8-13C-6: *Provided*, that the criminal penalties imposed upon conviction for a criminal violation of this article may not exceed the maximum penalties allowed by law for a similar violation of the ordinances of this [City/Municipality].

## **§ 15. Automatic Updating.**

Any amendments to articles nine, ten, fifteen, fifteen-a and fifteen-b, chapter eleven of the Code of West Virginia shall automatically apply to the municipal sales and use tax imposed pursuant to this article, to the extent they are applicable to the taxes imposed by this article.

**§ 16. Deposit of Taxes Collected in General Revenue Fund.**

When the [City/Municipal] [treasurer] receives periodic distributions of municipal sales and use taxes from the State Treasurer, the [City/Municipal] [treasurer] shall promptly deposit the amount received in the general revenue fund or account of the [City/Municipality].

**Alternative § 16. Deposit of Taxes Collect in Special Revenue Fund.**

(a) There is hereby established a special revenue fund in the [City/Municipal] Treasury which shall be designated and known as the [City/Municipal] Sales and Use Tax Fund. The [City/Municipal] Sales and Use Tax Fund shall consist of:

(1) All revenues received from collection of the [City's/Municipality's] sales and use taxes, including any interest, additions to tax and penalties deposited with the [City/Municipal] [treasurer];

(2) All appropriations to the fund;

(3) All interest earned from investment of the fund; and

(4) Any gifts, grants or contributions received and placed by the [City/Municipality] into the [City/Municipal] Sales and Use Tax Fund.

(b) Revenues in the [City/Municipal] Sales and Use Tax Fund shall not be treated by any person to be a general revenue of the [City/Municipality]. Revenues in the [City/Municipal] Sales and Use Tax Fund shall be disbursed in the manner and consistent with the priorities set forth for in subsection (c) of this section.

(c) Revenues in the [City/Municipal] Sales and Use Tax Fund shall be used:

(1) First, to satisfy the debt service requirements each fiscal year on any bonds issued by, or other obligations incurred by, the [City/Municipality], from time to time, allocated or tied to such dedicated revenue account including any refunding bonds; [INSERT HERE PURPOSES FOR WHICH SPECIAL REVENUE WILL BE USE, e.g., to finance City civic improvement projects; as well as city-wide infrastructure and economic development projects; and, for any other economic development or public safety projects, including the funding of any reserve funds relating to any such bonds or other obligations, and/or to make lease payments which secure bonds issued to finance improvements to such projects;]

(2) Second, to pay for [capital improvement projects] on a pay as you go basis; and

(3) Third, after providing for payment of first priority items, any unencumbered revenue in the [City/Municipal] Sales and Use Tax Fund may periodically be transferred as necessary or convenient to the [City's/Municipality's] General Revenue Fund or Account.

## **§ 17. Issuance of Revenue Bonds.**

[May only be included when tax is deposited in Special Revenue Fund.]

The [City/Municipality] shall have the power and authority to issue its revenue bonds or other obligations or refunding revenue bonds or other obligations, as appropriate, under and pursuant to Chapter 8, Article 16 or other appropriate provisions of the West Virginia Code as may be applicable from time to time (the "Bond Act") for the purposes of financing or refinancing costs of infrastructure improvements or economic development activities and projects within the [City/Municipality]. The [City/Municipality] may pledge or otherwise utilize the collections of the municipal sales and use taxes imposed by this article and the funds on deposit from time to time in the [City/Municipal] Sales and Use Tax Fund to satisfy the debt service requirements and any

prior debt service requirements deficit each fiscal year on, and to fund or replenish any required reserves in accordance with the bond documents for, any bonds or other obligations issued by the [City/Municipality] from time to time, including any refunding bonds, to finance or refinance infrastructure improvements or economic development activities and projects within the [City/Municipality], including the funding or replenishing of any reserve funds relating to any such bonds or other obligations, and/or to make lease payments which repay the debt service or otherwise secure bonds or other obligations issued to finance or refinance infrastructure improvements or economic development activities and projects within the [City/Municipality]. The [City/Municipality] may utilize the procedures established pursuant to the Bond Act in connection with the issuance of such bonds or other obligations and in connection therewith it is hereby clarified and directed that the municipal sales and use taxes imposed by this article shall not be considered to be taxation solely for the purposes of and as contemplated by Chapter 8, Article 16 of the West Virginia Code.

#### **§ 18. Severability and Savings Clause.**

If any provision of this article or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or applications of this article which can be given effect without the invalid provision or application, and to this end the provisions of this article are severable. The [City Council/Governing Body] declares that it would have adopted this article irrespective of the invalidity of any particular portion thereof and intends that the invalid portions should be severed and the balance of the article be enforced.

#### **§ 19. Effective Date.**

(a) This article shall become effective [upon its adoption by the [City Council of this

City/Governing Body of this Municipality] on [Insert Date of Adoption] [or as provided in the charter of the [City/Municipality]] on [Insert Effective Date]. However, the [City Council/Governing Body] hereby suspends imposition and collection of the municipal sales and use taxes imposed by this article until July 1, [2019], or such later first day of July as required by the legislative rule codified in W. Va. Code St. R. § 110-28-1 *et seq.* [or until January 1, 2019, or such later first day of January as required by legislative rule codified in W. Va. code St. R. § 110-28-1 *et seq.*]

## **§ 20. Notification of Tax Commissioner.**

Upon adoption of this ordinance by the [City Council/Governing Body], the [City/Municipal] [recorder, finance director or city manager, etc.] shall forthwith send to the tax commissioner a certified copy of this ordinance, the rate and the boundary database required by section [10] of this article, a map showing the boundaries of the [City/Municipality] along with a description of the boundaries of the [City/Municipality], and such other information as the Tax Commissioner may need to administer, collect and enforce the taxes imposed by this Article.

### **CAVEATS:**

1. The decision to deposit sales use tax revenue in a special fund and use the proceeds to pay debt service must be made before the ordinance imposing the taxes is adopted and before any sales and use tax collections are deposited into the General Revenue Fund or Account of the City/Municipality.

2. If the City/Municipality wants to use the language of alternative Section 16 and Section 17 of this model ordinance, we suggest that the City/Municipality consult with bond counsel prior to adopting its sales and use tax ordinance.