

Waverly City Sales and Use Tax -- Questions & Answers

The Waverly City Council formed a Sales Tax Committee to determine if Waverly citizens are supportive of a 1% city sales tax. If citizens are interested in implementing a 1% city sales tax, the City Council will place a Waverly sales tax proposal on the November 2010 ballot to allow Waverly's citizens to vote on the issue.

A Simple Guideline:

If you don't pay sales tax on something now, you won't pay a city sales tax on it.

A city sales tax is only collected on taxable purchases made within the city limits.

A city sales tax will be collected on vehicles registered within the city no matter where the vehicle is purchased. For example: If you live within the Waverly city limits and you purchase a vehicle in Lincoln, you would pay the City of Waverly sales tax and not Lincoln's sales tax on the purchase.

Why implement a city sales tax now?

Waverly is at a crossroads. Many capital improvement projects in Waverly are waiting for funding. A few of the priority projects are watershed improvements to take a lot of residential and commercial property out of either the floodplain or the floodway so that flood insurance won't be required, a new and centrally located fire station, and street improvement projects. The need to expand the City's revenue base beyond property taxes has never been greater.

How much would a 1% City Sales Tax cost?

On taxable purchases, a 1% city sales tax will cost one penny per dollar spent.

| Purchase Price | Waverly Proposed 1% | Omaha, Ceresco, Lincoln, Implemented 1.5% |
|----------------|------------------------|--|
| \$ 1.00 | \$ 0.01 | \$ 0.02 |
| \$ 50.00 | \$ 0.50 | \$ 0.75 |
| \$ 100.00 | \$ 1.00 | \$ 1.50 |
| \$ 1,000.00 | \$ 10.00 | \$ 15.00 |
| \$ 50,000.00 | \$ 500.00 | \$ 750.00 |

What items and services would be taxed?

Everything that is currently taxed with the State's 5.5% sales tax rate. Taxable items include all merchandise sold within the city limits. Other taxable items are Waverly residents' car purchases, utility fees (cable, water, sewer, electric, natural gas, and phone service), destination taxes for home delivery and food purchased in restaurants.

Guides for items subject to sales tax may be found on the State of Nebraska's website:

<http://www.revenue.ne.gov/info/6-352.pdf> or
http://www.revenue.ne.gov/info/slstax_info.html

What items are NOT subject to sales tax?

If an item isn't currently subject to the State's 5.5% sales tax, it won't be subject to a Waverly city sales tax either. Items that are not taxable include: food items purchased at the grocery store, personal and professional services rendered by physicians and dentists.

What sales taxes are currently charged in Waverly?

A 5.5% Nebraska state sales tax is currently charged. There is not a Lancaster County or city sales tax.

How much revenue would a 1% Waverly sales tax generate annually?

Based on taxable purchases made in Waverly in 2009, it is estimated that at least \$140,000 would be generated annually by a 1% city sales tax. With a 1% city sales tax, over \$1.3 million dollars would have been generated in Waverly between January 1, 2005 and December 31, 2009. During that period, 2006 was the most economically prosperous year, and approximately \$386,000 would have been generated from a 1% city sales tax in Waverly.

What would the Waverly city sales tax revenue be used for?

Capital improvement projects such as watershed improvements, improvements to city buildings and property, and paving projects. The Waverly city tax would be a steady source of funding for current and future improvement projects. The Waverly City Council would prioritize and select projects for completion.

Do other Nebraska communities have city sales taxes?

Yes, most neighboring communities have their own city sales tax.

| City | Rate | City | Rate |
|------------|------|---------------|------|
| Ashland | 1.0% | Gretna | 1.5% |
| Beatrice | 1.5% | Lincoln | 1.5% |
| Bennet | 1.0% | Louisville | 1.5% |
| Ceresco | 1.5% | Omaha | 1.5% |
| David City | 1.5% | Seward | 1.0% |
| Eagle | 1.0% | Wahoo | 1.5% |
| Greenwood | 1.0% | Weeping Water | 1.0% |

What are Waverly's current sources of revenue?

The main sources of revenue are property taxes, issuance of bonds, keno revenue, and franchise fees. Franchise fees are fees paid by utility companies, such as electric and cable providers, for the right to do business in Waverly. By passing a City sales tax, we can expand the City's revenue base and include the sales taxes paid by non-residents who make purchases in Waverly.

Are there other ways, besides a sales tax, to fund capital improvement projects in Waverly?

One option is to increase city property taxes paid by Waverly property owners. The current Waverly city property tax rate is 20 cents per 100 dollars of actual property valuation. For example, for a \$150,000 home, the property owner pays \$300 in Waverly city property tax

annually. (In addition, an individual's property taxes may also include payment of Waverly bonds.) State statute allows cities to levy property taxes up to 45 cents per 100 dollars of actual property valuation, which is more than double the current Waverly taxation rate.

In 2009 Waverly raised sewer and water rates. These rates could continue to increase to update, replace and add additions to provide these services to our residents.

Another option is to not do the capital improvement projects at all or to take a longer period of time to complete them as funding becomes available.

Increasing issuance of bonds is not an option because the City of Waverly has fully utilized its bonding capability to fund the recent sewer plant and system improvements. Increasing bonding issuance, at this time, would compromise the City of Waverly's financial stability.

What are some of the benefits of having a city sales tax?

Improvements within Waverly could be accomplished while maintaining a low property tax rate. Waverly could proceed with capital improvements rather than having those projects postponed or not done at all due to funding limitations. The city sales tax would be paid by everyone who makes purchases in Waverly, not just by Waverly property owners or residents.

How can a Waverly City sales tax be implemented?

If a city sales tax is passed at the November 2010 ballot, the effective date of a sales tax is the next calendar quarter which is at least 120 days, meaning the sales tax would start April 1, 2011. If the sales tax is placed on the November ballot and defeated, State statute requires a minimum waiting period of 23 months before a new sales tax proposal vote can take place. This would mean a Waverly city sales tax couldn't be considered again until November 2012.

Who can I contact for more information?

The City Council formed a Sales Tax Committee made up of Waverly citizens evaluate a sales tax option. There are committee members representing all subdivisions of Waverly. You may contact any Committee member, Mayor Mike Werner or City Administrator Doug Rix to learn more about how a Waverly city sales tax could benefit our community. The Waverly City Office phone number is 786-2312.

Committee members:

| | | |
|-----------------|----------------|-----------------|
| Keith Blake | Bill Heimann | Greg Rickers |
| Matt Brewer | Robin Hoffman | Tina Sondgeroth |
| Andy Cockerill | Aaron Hummel | Matt Warner |
| Bill Dedrickson | Damon Hummel | Susan Weismann |
| Lona Dedrickson | Brian Johnson | Jim Wilkinson |
| Mike Faughn | Cindy Miesbach | Kathy Wilkinson |
| Lyn Heaton | Dave Moore | Rick Winters |