

# Proposed Measures FAQs: Gas tax and prepared food tax

July 27, 2021

- ***Why did the City Council refer these proposed measures to the ballot?***
  - The Newport City Council has referred two proposed measures to the November ballot that would increase the city's gas tax by 5 cents per gallon and implement a 5-percent tax on prepared food, if passed. There is a structural budgetary shortfall anticipated in the city's budget. The city cut 22 FTE positions. If passed, these two proposed measures would tax both the 10,000 year-round city residents and its up to 20,000 visitors on any given day during the peak season who utilize city services and facilities. For a meal costing \$10, the tax would be 50 cents.
- ***Who came up with this idea?***
  - Both proposed taxes are the product of a series of work groups who examined the city budget, future projections for revenues and expenses and other factors.
    - Over a three-year period, the Finance Work Group – established by the City Council – considered these matters and proposed the new taxes, in addition to several budget cuts. The city has cut 22 full-time equivalent positions, in addition to proposing the revenue increase.
    - These proposed taxes would distribute the burden among the city's 10,000 residents and the nearly 20,000 visitors who utilize city services and facilities.
- ***How much money would the city collect on the proposed gas tax?***
  - The proposed gas tax is estimated to generate \$392,000 in revenue annually and would be used for maintenance and repairs to streets within the city. The city estimates that street maintenance will cost \$2 million per year.
- ***How much would the city collect on the proposed prepared food tax?***
  - If the measure passes, the city expects to collect an estimated \$2,543,000 annually on this proposed tax.
- ***Why is the city proposing taxing restaurants and vendors of prepared food?***
  - The city is not proposing taxing restaurants, but rather the consumers of prepared food. If the measure passes, the proposed prepared food assessment would be paid as a separate line item on restaurant bills by the consumers of prepared foods. Vendors would collect the tax and turn those funds over to the city on a quarterly basis. If passed, the city would provide \$200,000 from the proposed new revenues as grants to assist businesses that would begin collecting the tax.
- ***How would the city spend the new revenue?***
  - If the measure passes, the city would use the revenue to fund the following positions and projects:
    - Three police officers, one parking enforcement officer, three firefighters/EMTs, one bilingual librarian and a part-time library staff position;
    - Maintenance and upgrades to 48 city-owned facilities (including the Visual Arts Center, Performing Arts Center, Recreation Center and 60+ Center) and parks;
    - One-time business grants to assist prepared food vendors in collecting the new tax; and

- Replacing and purchasing equipment for city operations.
- ***How long would the proposed prepared food tax be collected?***
  - The proposed prepared food tax ballot measure would be a five-year levy with an option to renew. By statute, the City Council could choose to pass these taxes with a motion and vote. Instead, the Council opted to put these items before the voters.
- ***What would be taxed if the proposed prepared food ballot measure passes?***
  - If passed, the tax would apply to foods cooked or prepared for consumption such as sandwiches, fountain drinks, salads, hot food, etc.
- ***Would all prepared food in the city be taxed?***
  - No. Prepared foods sold on hospital grounds; in public educational institutions, vending machines, bed and breakfast establishments or residential facilities; or by non-profit or government organizations and some other vendors would be exempt from the tax.
- ***Is anybody else in Oregon collecting a prepared food tax?***
  - Yes. In fact, two other Oregon cities – the City of Ashland, with a population of about 21,000, and the City of Yachats, with a population of about 765 – both utilize similar prepared food taxes to fund city government services. Like Newport, both cities have a substantial number of daily visitors.
- ***What happens if the proposed ballot measures do not pass?***
  - If the proposed measures do not pass, the proposed services would not be provided and taxes would not be increased.