



ARKANSAS

Voter Guide

City of Johnson Ballot Issues

Sales Tax & Bond Election | July 13, 2021

UofA **DIVISION OF AGRICULTURE**
RESEARCH & EXTENSION
University of Arkansas System

PUBLIC POLICY CENTER

This guide to the Johnson Ballot Issues was produced by the Public Policy Center at the University of Arkansas System Division of Agriculture.

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SALES TAX & BOND ELECTION

Johnson Temporary Sales Tax & Street Improvement Bonds Election

ELECTION DATE: Tuesday, July 13, 2021

What is being proposed?

Voters in Johnson have a special election on July 13, 2021 when they will decide whether to issue \$7.3 million in street improvement bonds and a temporary 1% sales and use tax to pay off those bonds. The ballot issue if approved also would allow the city to use revenues from an existing 1% sales tax for police, fire and public works toward repaying the street improvement bonds.

The new temporary sales tax would raise the city's sales tax rate from 2% to 3% if approved. The city's sales tax rate would drop back to 2% when the bond debt is repaid and the temporary sales tax expires.

This ballot measure is one of two proposals the Johnson City Council voted to place on the July 13 ballot. The other ballot measure is a proposed 1% tax on prepared food and lodging to fund park improvements in the city. More information about that separate tax proposal can be found on page 6.

When is the election?

Election Day is July 13, 2021. Early voting starts July 6, 2021 at the Washington County Clerk's Office in Fayetteville, where any registered voter who lives in Johnson can vote. Voters in Johnson can check their voter status or find out where they're supposed to vote on Election Day by calling the Washington County Clerk's Office at (479) 444-1711. You can also check your voter registration status online at www.voterview.ar-nova.org.

QUICK LOOK: What does your vote mean?

1% Sales Tax and Street Improvement Bonds:

FOR: A FOR vote on this measure means you are in favor of (1) the city of Johnson issuing \$7.3 million in bonds to pay for street improvements, (2) for temporarily increasing the Johnson sales tax rate by 1% to pay off the bond debt, and (3) for allowing the city to use an existing 1% sales tax to pay off the bond debt.

AGAINST: An AGAINST vote on this measure means you are not in favor of (1) the city of Johnson issuing \$7.3 million in bonds to pay for street improvements, (2) for temporarily increasing the Johnson sales tax rate by 1% to pay off the bond debt, and (3) for allowing the city to use an existing 1% sales tax to pay off the bond debt.

Exercising your voting privilege:

We live in a democratic society where voting is a privilege of citizenship. Democracy works best when informed citizens exercise their voting privilege.

Election Day for this issue is July 13, 2021. Early voting begins July 6, 2021. Please exercise your right to vote on this issue.

Why is this issue on the ballot?

A city sales tax and bond issue must be approved by the voters. City council members voted May 11 to put the proposal on the ballot.

What are bonds?

Bonds are certificates of debt used by states, cities, counties or other government entities to finance large projects, such as roads, schools or sewer systems. They require a dedicated revenue stream. Bonds are paid off over a long period of time similar to how a person finances and pays a home mortgage.

What are the city's plans?

The ballot title says revenue from bond sales would be used to pay for existing streets, including any related curb, gutter and drainage improvements, utility adjustments, and sidewalks.

City officials said that the funds would be used on "Phase A" of the Main/Wilkerson Street Project, which includes street, drainage, sidewalk, utility relocation, property acquisition and related improvements. Engineering work for the three phases of the project has already been completed. The city posted a photo of Phase A on their website at <https://cityofjohnson.com/news/special-election>.

What is the current sales tax rate in Johnson?

Johnson's current sales tax rate is 2%. Of this amount:

- 1% is used for city operations, such as administration, city court and building departments, as well as capital improvements and infrastructure maintenance.
- 1% is used to fund the police, fire and public works departments.

Under this proposal, the 1% currently used for funding police, fire and public works could also be used to repay the new bond debt issued for street improvements.

How much money would the sales tax generate? How much would the bond issue cost to pay off?

According to Johnson officials, the 1% sales and use tax would generate an estimated \$293,000 a year. The revenue would be used to pay off the bond debt issued for street, sidewalk and drainage improvements. Once the debt is paid off, the tax would expire.

The tax would expire in 2046 or earlier based on current sales tax collections in Johnson. City officials say the total cost to repay the \$7.3 million bond debt including interest would be \$7.7 million.

Who would pay the tax?

The tax would be paid by everyone buying goods or services in Johnson. This includes purchases made outside the city but delivered to addresses in Johnson, which includes most online purchases. Examples of goods and services include clothing, furniture, pet food, pest control services and utilities.

If approved, when would the sales tax begin and end?

If approved by voters, the proposed sales tax would take effect Jan. 1, 2022. The 1% sales tax would expire when the 2021 bond debt is repaid, which city officials estimate to be around 2046.

How does Johnson's sales tax compare to neighboring cities?

Of the 325 cities in Arkansas with a local sales and use tax, the average rate is 1.6% with a range from 0.5%

The following statements are examples of what supporters and opponents have made public either in media statements, campaign literature, on websites or in interviews with Public Policy Center staff. The University of Arkansas System Division of Agriculture does not endorse or validate these statements.

What do supporters say?

- The project is necessary to meet the growth and demands of increased traffic and to all for safe vehicle, bike, and pedestrian traffic along an important residential and commercial corridor of the city. The project will also allow the city to grow its economic base through much-needed improvements to the city infrastructure.
- The only time the 1% that is used for Police and Fire would be used toward the bond would be in the event of a sales tax shortfall, and would only be used to cover the amount the sales tax was short.

What do opponents say?

- Government agencies have a strong tendency of never taking a tax off once it is established. When 2047 or whenever the expiration date happens, the government agency comes up with a different project or reason to continue the tax.
- I strongly dislike taking money from the police fund in Johnson as a strong police presence was one of the main reasons we moved to Johnson back in the day.

to 3.5%. This rate does not include county or state sales tax. In Washington County, there are 12 cities with a local sales and use tax, the average of which is 2.3%. For cities along the Interstate 49 corridor from Alma to Bella Vista, the average city sales tax is 2.2%.

City Sales Tax Rates Along Interstate 49

City	City Sales Tax Rate
Alma	2%
West Fork	3%
Greenland	3%
Fayetteville	2%
Johnson	2% (3%)*
Springdale	2%
Lowell	2%
Rogers	2%
Bentonville	2%
Bella Vista	2%

*Rate if proposed sales tax is approved.

Source: Arkansas Department of Finance and Administration, List of cities and counties with local sales and use tax; April-June 2021.

What would happen if this ballot issue fails?

The city would not have the money to complete the Main and Wilkerson street project, which would be delayed to a later date. The city's sales tax rate would remain at 2% and no bonds would be issued..

The ballot title mentions “net collections of which remaining after deduction of the administrative charges of the State of Arkansas and required rebates.” What does this mean?

The State of Arkansas keeps a small portion of local sales tax revenue collected to offset costs associated with administering the collection and distribution of sales tax. In addition, state law allows for individuals and businesses to receive a rebate or refund of local sales taxes paid in certain circumstances. The state subtracts this amount from total local sales tax revenue received before distributing the remainder to cities.

The following is the official wording for the sales tax and bond issue question as they will appear on the ballot.

STREET IMPROVEMENT BONDS

Bonds of the City of Johnson in the maximum aggregate principal amount of \$7,300,000 to finance all or a portion of the costs of improvements to existing streets, including any curb, gutter and drainage improvements, utility adjustments and sidewalks related thereto and, in order to pay the bonds, (a) the levy and pledge of a new 1% local sales and use tax within the City and (b) the pledge of an existing 1% local sales and use tax levied within the City by Ordinance No. 2005-6, adopted on May 10, 2005.

If the bonds are approved, there will be levied within the City a new 1% local sales and use tax (the “Bond Tax”), the net collections of which remaining after deduction of the administrative charges of the State of Arkansas and required rebates will be used solely to retire or pay obligations with respect to the bonds in accordance with Amendment No. 62 to the Arkansas Constitution. The Bond Tax will expire after the bonds have been paid or provision is made therefore in accordance with Arkansas statutes. In order to provide additional funds to pay or to further secure repayment of the bonds, the City will also pledge to the bonds the net collections of an existing 1% local sales and use tax levied by Ordinance No. 2005-6, adopted on May 10, 2005 (the “2005 Tax”). Any collections of the 2005 Tax not used for the payment of the bonds will be used by the City for other lawful purposes.

☐ FOR

☐ AGAINST



PREPARED FOOD & LODGING TAX ELECTION **1% Advertising & Promotion Commission Tax Election**

ELECTION DATE: Tuesday, July 13, 2021

What is being proposed?

Voters in Johnson have a special election on July 13, 2021 when they will decide whether to approve a 1% tax on prepared foods, beverages, lodging and rental space in the city. Revenue would be dedicated to development, construction and maintenance of city parks.

The ballot asks voters whether they are “for” or “against” a 1% tax on the gross receipts of hotel, motel and other accommodations and 1% tax on the sale of prepared food and beverages for on or off-premise consumption. This kind of tax is known as an Advertising and Promotion Commission tax, sometimes referred to as an “A&P tax,” or “hamburger tax,” or “hotel tax.”

This is one of two proposals on the July 13 ballot. The other ballot issue proposal is for street improvement bonds and a temporary 1% sales and use tax to repay the \$7.3 million bond issue. More information about that proposal can be found on page 2.

When is the election?

Election Day is July 13, 2021. Early voting starts July 6, 2021, at the Washington County Clerk's Office in Fayetteville, where any registered voter who lives in Johnson can vote. Voters in Johnson can check their voter status or find out where they're supposed to vote on Election Day by calling the Washington County Clerk's Office at (479) 444-1711. You can also check your voter registration status online at www.voterview.ar-nova.org.

Why is this issue on the ballot?

City council members voted at their May 11 meeting to put the proposed tax measure on the ballot for voters to decide.

QUICK LOOK: What does your vote mean?

1% Advertising and Promotion Commission Tax on Prepared Foods and Lodging:

FOR: A FOR vote on this measure means you are in favor of the city of Johnson charging a permanent 1% tax on prepared foods and lodging to be used exclusively for the development, construction, and maintenance of city parks.

AGAINST: An AGAINST vote on this measure means you are not in favor of the city of Johnson charging a 1% tax on prepared foods and lodging to be used exclusively for the development, construction, and maintenance of city parks.

Exercising your voting privilege:

We live in a democratic society where voting is a privilege of citizenship. Democracy works best when informed citizens exercise their voting privilege.

**Election Day for this issue is
July 13, 2021. Early voting begins
July 6, 2021. Please exercise your
right to vote on this issue.**

What are the city's plans?

Johnson city officials want to create a new source of revenue to renovate and develop city parks. The ballot issue specifies the funding would be used on parks, and city officials have named several projects that would be addressed with the funds including:

- Renovate the city park on Main Drive
- Develop a Johnson Green Space Park as listed in the city's master park plan
- Upgrade and expand the Greenway trail

The city posted a site plan of park renovations on its website at <https://cityofjohnson.com/news/special-election>

If voters approve the proposed tax, city council members will create an Advertising and Promotion Commission made up of seven people who live in the city.

Under state law, four of the members must be from the tourism industry, two from the city council and one person appointed at large by the mayor. Commissions such as this are responsible for overseeing the collection and distribution of this special tax on food and accommodations.

How much money would the sales tax generate?

According to city officials, there are six restaurants in Johnson and two businesses that qualify as hotels, motels or lodging accommodations. City officials have not estimated how much tax revenue would be generated by the proposed tax.

Who would pay this tax? What are gross receipts?

The 1% Advertising and Promotion Commission tax would apply to gross receipts from lodging and prepared foods in Johnson.

Businesses collect these taxes at the time of sale to the customer. The Advertising and Promotion Commission tax appears on the sales receipt when you purchase food or pay for lodging, just as a city, county or state sales and use tax does.

State law defines lodging gross receipts as revenues from renting, leasing, or otherwise furnishing hotel, motel, house, cabin, bed and breakfast, campground, condominium, or other similar rental accommodations for sleeping, meeting, or party room facilities, excluding for rental or lease of accommodations for 30 or more days.

The following statements are examples of what supporters and opponents have made public either in media statements, campaign literature, on websites or in interviews with Public Policy Center staff. The University of Arkansas System Division of Agriculture does not endorse or validate these statements.

What do supporters say?

- There are insufficient funds to undertake the park projects and additional revenue streams are needed in order to meet the need for renovations at the city park and expand park access and options for the growing community. The money available in the budget supports park maintenance and operations, but falls well short of providing the money required for improvements and any expansion.
- The proposed A&P tax would provide the revenues to provide for the growth and improvements to Johnson city parks.

What do opponents say?

- Our members are heavily taxed and do not like to add taxes. I am a little shocked that a city would want to add taxes in this environment to an industry that is suffering and under so much stress to stay in business.
- To be successful with an A&P tax, Johnson will have to develop industry support and that means a plan for how the tax will benefit the hospitality industry. The money should not and cannot be dedicated for city services. It is to develop travel and tourism visitation and spending in that city.

Prepared food gross receipts include sales from restaurants, cafes, cafeterias, delicatessens, drive-in restaurants, carry-out restaurants, concession stands, convenience stores, grocery store-restaurants, or similar businesses for prepared food and beverages for on-premises or off-premises consumption. It does not include packaged or grocery items.

Advertising and promotion taxes are not collected on sales from nonprofit organizations.

How could the tax revenue be spent?

The ballot issue before Johnson voters says the revenue would be “dedicated exclusively for the development, construction and maintenance of city parks.”

Under this scenario, Arkansas Code 25-75-604(b) says tax revenue must be deposited into a special fund only for this purpose. The funds would be dispersed by the mayor upon approval of the city council.

State law specifically prohibits cities from using Advertising and Promotion Commission tax revenue for (1) general capital improvements within the city; (2) for costs associated with the general operation of the city; and (3) for general subsidy of any civic group or the chamber of commerce.

If approved, when would the sales tax begin and end?

If approved by voters, the tax will begin Jan. 1, 2022. This tax will not expire without another vote of the people.

How does Johnson’s tax proposal compare to neighboring cities?

At least 45 communities across Arkansas charge an Advertising and Promotion tax, including the cities surrounding Johnson. The communities vary on their tax rates, who pays them, and how the revenue is spent.

Fayetteville charges a 2% tax on hotels, motels and restaurants. Half of the tax revenue goes toward tourism spending, which includes operating the city’s conference center downtown, and the other half goes to city parks. Before the pandemic last year, the

Advertising and Promotion Commission passed a \$5.4 million budget, with most of that coming from the motel, hotel and restaurant sales tax.

Springdale charges a 2% tax on hotels and motels but no tax on prepared foods. Most of the city’s money goes toward putting on events that bring people to the city. According to a recent Arkansas Democrat-Gazette article, the Springdale Advertising and Promotion Commission staff projected to bring in \$518,000 in revenue last year before the pandemic hit.

A&P Tax Rates Along Interstate 49

City	A&P Tax Rate
Alma	1% on food and lodging
West Fork	None
Greenland	None
Fayetteville	2% on food and lodging
Johnson	None (*Proposed 1% on food and lodging)
Springdale	2% on lodging
Lowell	2% on food and lodging
Rogers	3% on lodging
Bentonville	1% on food and 2% on lodging
Bella Vista	1% on food and 2% on lodging

Source: City websites

The following is the official wording for the tax question as it will appear on the ballot.

ONE PERCENT (1%) TAX LEVY

THE LEVY OF A ONE PERCENT (1%) TAX UPON THE GROSS RECEIPTS OF HOTEL, MOTEL AND OTHER ACCOMMODATIONS IN THE CITY OF JOHNSON, ARKANSAS, AND A ONE PERCENT (1%) TAX UPON THE SALE OF PREPARED FOOD AND BEVERAGES FOR ON OR OFF PREMISES CONSUMPTION IN THE CITY OF JOHNSON, THE PROCEEDS OF WHICH SHALL BE DEDICATED EXCLUSIVELY FOR THE DEVELOPMENT, CONSTRUCTION AND MAINTENANCE OF CITY PARKS IN JOHNSON, ARKANSAS.

☐ FOR

☐ AGAINST

Important Dates

July 6, 2021 Early voting begins

July 13, 2021 Election Day

Election Information

**Polling places are open on
Election Day, July 13, 2021,
from 7:30 a.m. to 7:30 p.m.**



If you need help finding your voting location or aren't sure whether you are registered to vote, contact the Washington County Clerk's office by calling (479) 444-1711.

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