



# Ottumwa Local Option Sales and Service Tax (LOSST)

## **What is the Local Option Sales and Service Tax (LOSST)?**

The LOSST is a one cent sales tax approved by a vote of the citizens of Ottumwa. The tax is applied to goods and services that the State of Iowa has designated as taxable.

## **How much money does the City receive from LOSST?**

It is estimated that for Fiscal Year 2025 the City will receive \$4,500,000 in LOSST funds. **It is estimated that 60% of those revenues come from shoppers outside the City of Ottumwa.**

## **Is this a new tax?**

No. The LOSST is already being collected in Ottumwa and Wapello County. When you pay the 7% sales tax on purchases in Ottumwa, a portion of the 1% above the State sales tax is returned to the city.

## **Why do we need to vote for this again?**

The voters of Ottumwa approved the LOSST in 2016 with an end date of December 31, 2025. The vote is to renew the LOSST for another ten years.

## **Is this the only change requested?**

No. The City is asking that it be allowed to allocate the LOSST revenue received differently. Currently, 10% of the LOSST goes to property tax relief and 90% goes to street and sewer repairs. The City Council approved ballot language that would allow 30% to go to property tax relief and 70% to street and sewer repairs.

## **Why the change?**

In 2023 the Iowa Legislature passed a bill that modifies what cities can charge in property taxes. The bill eliminated several levies that the City relied upon to pay for operations in the General Fund, Library, and Bridge View Center. This will result in a loss of \$450,000 in revenue. The change in allocation is necessary to continue funding services at their current levels.



### **Will my property taxes go down if the LOSST is approved?**

This is not a yes or no question. There are many other local governments (schools, county, and community colleges) that also collect property taxes. The City has no control over what they request for taxes. Changes in the value of your property also determines what you pay. What is certain is that the City of Ottumwa will be asking for less property taxes for at least the next three years.

### **Does sending more money to property tax relief delay street and sewer projects?**

Not necessarily. Street and sewer projects can be funded with other sources of revenue. With planning, necessary resources can be allocated to keep projects on time. The services provided in the General Fund do not have additional options for funding.

### **What services are paid through The General Fund?**

The General Fund is where most basic services are allocated for funding. This includes:

- Police
- Fire
- Building Inspections
- Parks
- Cemetery
- Library
- Bridge View Center
- IT Services
- Administration

### **Will spending cuts still be necessary even if the LOSST is approved?**

Yes. The cost of providing the services in the General Fund is out pacing increases in revenues. Even with the additional funds from the LOSST, expenditure reductions will need to be made.

### **Does this mean a reduction in services?**

Possibly. City staff will look at alternate ways to provide services the citizens want and need, to purchase the goods necessary to deliver services, and to staff those City services. If funds are still insufficient, services will need to be reduced.



### **What if the vote fails?**

If the voters fail to approve the extension of the LOSST for another ten years, the City will lose the projected \$4,500,000 in revenue. This will impact street and sewer repairs as alternative financing will need to be found, most likely the borrowing of money. The City's property tax rates and sewer fees will likely go up as debt being paid by LOSST funds will now need to be paid through those sources. Additionally, the city will see a greater impact on reduced or eliminated services and/or a request to increase the franchise fee to fill a portion of the missing revenue.

The City Council will also have the option of resubmitting the question for another vote before the LOSST expires. City staff will need to determine the reason for the failure and recommend a change in the ballot language and/or provide more information to help citizens make their choice.

### **When is the vote?**

**The vote on extending the LOSST will be September 10, 2024.**

Also on the ballot is the council seat currently held by Cyan Bossou.

**The City of Ottumwa encourages all citizens to get out and vote on these important matters.**