

## Methods of Taxation

There are several possible business tax rate methodologies:

- **Flat rate-based fees** are assessed based on the business type regardless of its size / revenue.
- **Per-employee based fees** are assessed based on the business' number of employees.
- **Gross receipts-based fees** are based on a percentage amount of the business' gross receipts for the year assessed.
- **Per-unit based fees** are assessed based on the number of units or vehicles owned by a business, or their *square footage or total rooms*.

## Current Taxing Structure

South San Francisco uses all four types for different types of businesses. However, as shown in the table below, the primary business types are charged using a per employee fee.

In 2023, the City collected \$2.5 million from 3,503 businesses, with 95% of revenue from the top three categories, as detailed below. Revenue totals include both a \$4 State Disability Access Education Fee pursuant to Senate Bill 1186 and 2% Database fee. In 2008, a tax cap was established, adjusted annually by CPI-W, reaching \$150,866.50 for 2024, which is included in the amount shown in the table below.

Business type	Revenue	% of Rev.	# of Businesses	Description of Business License Tax Type
Professional	\$ 1,342,996	54%	477	Per employee
General Business	754,917	30%	1,637	Per employee
Contractor	281,537	11%	1,300	Flat rate
% Gross Receipts	64,453	2.6%	13	% of Gross Receipts
Other	66,257	2.6%	76	Various
Total	\$2,510,160	100%	3,503	

### *Professional*

Professional business are defined as a specific list of businesses in South San Francisco Municipal Code (SSFMC) 6.16.120, but can generally be categorized as business that do not produce or manufacture goods and therefore are not impacted by sales tax, but provide a professional service.

### *General Business*

The General Business category in South San Francisco is the broad category that contains all businesses not specifically named in SSFMC Title 6.

### *Construction Contractors*

As defined in the City's municipal code 6.16.050, "Construction contractor" means a person conducting or carrying on a business and who undertakes to, or offers to undertake to, or purports

## Exhibit A

to have the capacity to undertake to, or submits bids to, or does him or herself or by or through others, construct, alter, repair, add to, subtract from, improve, move, wreck, or demolish any building, highway, road, railroad, excavation or other structure, project, development or improvement, including excavation and moving of earth, rock, sand and similar materials or filling and grading of land, or to do any part thereof, including the erection of scaffolding or other structures or work in connection therewith, acting as a general contractor, prime contractor, subcontractor or specialty contractor.

### *Gross Receipt Businesses*

There are currently 4 business categories that pay on gross receipts:

1. Coin, token, or card-operated machine operator.
2. Commercial Parking Facilities
3. Junk Collector/Recycler
4. Cannabis businesses

### *Other*

There are 12 business categories under the “other” business. This includes:

1. Rental of real property
2. Auctioneer
3. Business and personal services means any business providing services, repairs, or improvements to or on real property; renting or leasing personal property to businesses or persons; or providing services to persons such as but not limited to, laundries, cleaning and dyeing, shoe repair, barber and beauty shops, and photographic studies. This distinguishes businesses in this category from those in the Professional category.
4. Card room
5. Manufacturer
6. Peddler or solicitor
7. Public utility
8. Recreation and entertainment include Bowling alleys, circus or similar exhibition, carnival or similar event, boxing or wrestling exhibition, motion picture exhibitions, or any other business providing entertainment, recreation, or amusement.
9. Temporary vendor
10. Transportation of persons
11. Warehousing
12. Wholesale sales