



Business License Tax Update

Presentation to City Council

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Current Tax Structures

Primarily Per Employee Base

21 General categories

Each has separate methods of calculation

Tax Cap of \$150,886.50



2023 Business License Tax Revenue

| Business type | Revenue | % of Rev | # of Businesses | Description of Current Business License Tax |
|------------------|-------------|----------|-----------------|--|
| Professional | \$1,342,996 | 54% | 477 | \$226 per associate |
| General Business | 754,917 | 30% | 1,637 | Per employee rate, currently \$113.50 + \$23 per employee/owner |
| Contractor | 281,537 | 11% | 1,300 | Flat rate of 226.25 for contractors, \$188.25 for subcontractors |
| % Gross Receipts | 64,453 | 2.6% | 13 | % of gross receipts |
| Other | 66,257 | 2.6% | 76 | Various |
| Total | \$2,510,160 | 100% | 3,503 | |

Topics

Review Current Tax Structure

Major Changes to BLT

Tax Impact Summary – Other Categories

General Business Proposed Structure & Tax Impact

Statistics

Outreach Summary

Council Action

Q&A

Short Term Rental /Hotels- Residential Real Property

Per Council discussion: Explore charging
Hotels per employee not per unit

No employee data available

Current: \$113.50 +\$8/unit

Propose: \$150 + \$10/unit

For Hotel w/200 rooms: from \$1,700 to
2,100

Apartment/Residential units : Flat
\$50/unit

Remove the 5-unit threshold



Temporary Vendor

Annual Gross Receipts in SSF, under \$500, exempt from BLT

Daily charge increased from \$75.25 to \$150



Construction Contractors

Moving to a Percentage of valuation

Set at 0.18%.

Increases tax revenue from \$300,000 to \$1.5 million

Employee Definition

“Employee” includes, without limitation, a person designated as a co-employee, non-employee, independent contractor, or any other classification, so long as the person is working in the business. A person who receives an Internal Revenue Service Form 1099 from a business is an employee of the business.

Professional – Per Associate Rate

\$226



\$275

Accountant, acupuncturist, advertising, analyst, appraiser, architect, artist, assayer, attorney;

Bacteriologist, bail bond broker, broker, business opportunity broker, business and safety consultant;

Cemetery broker, **chemist**, chiropodist, chiropractor, collection agency or mercantile agency, commercial artist, commission merchant;

Dentist, designer or decorator, discount finance company, drugless practitioner;

Electrologist, engineer, entomologist, finance company, Geologist, Herbalist;

Illustrator or show card writer, insurance adjuster or claims adjuster, insurance broker, investment and investment trust;

Laboratory, landscape architect, lapidary, Map maker or cartographer, mineralogist, moneylender or money broker, mortician;

Naprapath and naturopath, Oculist, oil and gas broker, optometrist, osteopath;

Physician, psychiatrist, psychologist; Real estate broker; Stock and bond broker, surveyor;

Tax counselor, taxidermist; Veterinarian; Design professional, including computer or graphic design;

Computer programmer; Planner or architect; Surveyor, inspector, or map professional.

Penalty

Current - 10% of the tax due if payment is more than 30 days late with an additional 15% of the tax due if it is more than 60 days late



Proposed – 10% a month of the tax due past the first month up to 100% of the original amount.

Tax Change Impact by Business Category

| Business type | Current Tax | Proposed Tax | Increase |
|-----------------------------|------------------|------------------|------------------|
| Professional | 1,342,996 | 1,634,177 | 291,181 |
| Contractor | 281,537 | 1,500,000 | 1,218,463 |
| % Gross Receipts | 64,453 | 64,453 | - |
| Rental Real Property | | | |
| Hotel/STR | 22,000 | 27,000 | 5,000 |
| Long Term Residential | - | 450,000 | 450,000 |
| Total | 1,710,986 | 3,675,630 | 1,964,644 |

Does not include General Business

Long Term Residential previously not included in tax increase, based on census data.

General Businesses - Proposed Structure, Per Employee

| # Employees | # Companies | Rate (Initial Prop) | # Companies | Option 1 | Option 2 | Option 3 |
|-------------|-------------|---------------------|-------------|----------|----------|----------|
| 0-4 | 1,067 | \$30 | 1,322 | \$30 | \$30 | \$30 |
| 5-9 | 255 | \$35 | | | | |
| 10-19 | 166 | \$50 | 321 | \$45 | \$45 | \$50 |
| 20-49 | 121 | \$60 | | | | |
| 50-99 | 34 | \$75 | | | | |
| 100-249 | 22 | \$80 | 29 | \$55 | \$75 | \$90 |
| 250-499 | 4 | \$90 | | | | |
| 500-999 | 2 | \$100 | | | | |
| 1,000 + | 1 | \$150 | | | | |

Base: \$150

Revenue Summary-General Business

| Options | General Category Rev No Cap | General Category Rev Cap - \$1M | General Category Rev Cap - \$750K | General Category Rev Cap - \$500K |
|---------------------|--------------------------------|------------------------------------|--------------------------------------|--------------------------------------|
| Initial Proposal | \$2,315,253 | \$2,054,696 | \$1,804,696 | \$1,554,696 |
| Option 1 (30-45-55) | 1,442,775 | 1,442,775 | 1,442,775 | 1,442,775 |
| Option 2 (30-45-75) | 1,676,175 | 1,676,175 | 1,676,175 | 1,531,730 |
| Option 3 (30-50-90) | 1,890,760 | 1,890,760 | 1,867,870 | 1,617,870 |

Business Impact (with no cap)

| # of employees | Current Tax | Proposed Tax Option 1 | Annual Increase Opt. 1 | Proposed Tax Option 2 | Annual Increase Opt. 2 | Proposed Tax Option 3 | Annual Increase Opt. 3 |
|----------------|-------------|-----------------------|------------------------|-----------------------|------------------------|-----------------------|------------------------|
| 5 | \$223 | \$300 | \$77 | \$300 | \$77 | \$300 | \$77 |
| 50 | 1,213 | 2,265 | 1,052 | 2,265 | 1,052 | 2,470 | 1,257 |
| 200 | 4,513 | 10,025 | 5,512 | 12,045 | 7,532 | 14,010 | 9,497 |
| 500 | 11,113 | 26,525 | 15,412 | 34,545 | 23,432 | 41,010 | 29,897 |
| 1,000 | 22,113 | 54,025 | 31,912 | 72,045 | 49,932 | 86,010 | 63,897 |
| 5,000 | 110,113 | 274,025 | 163,912 | 372,045 | 261,932 | 446,010 | 335,897 |
| 10,000 | 150,887 | 549,025 | \$398,139 | \$747,045 | \$596,159 | \$896,010 | \$745,124 |

Tax Cap - Considerations

Keep

- Cap at 150,886.50

Set

- \$500,000
- \$750,000
- \$1,000,000
- Other

Remove

- Cap

Escalate

- CAP over time

Business License Cap Implementation Options

If Council chooses to have a cap option:

- Cap will increase by CPI annually
- For any year, Council can elect to adjust the cap by less than the annual CPI

If annual cap is eliminated:

- Council would have an option to reinstate an annual cap and modify it by resolution

| City | Licensed Businesses (Est.) | FY 2023 Revenue per Business | FY 2023 Revenue as % of General Fund |
|---------------------------------|-------------------------------|---------------------------------|---|
| Berkeley | 13,302 | \$1,696 | 8.4% |
| Burlingame | 8,003 | \$162 | 1.8% |
| Daly City | 7,763 | \$753 | 4.9% |
| Menlo Park | 5,337 | \$1,066 | 7.0% |
| Millbrae | 3,390 | \$985 | 8.5% |
| Oakland | 71,385 | \$1,755 | 5.9% |
| Redwood City | 8,429 | \$393 | 1.9% |
| San Bruno | 2,898 | \$666 | 3.4% |
| San Francisco | 103,128 | \$10,330 | 7.3% |
| San Jose | 57,755 | \$1,489 | 4.2% |
| San Leandro | 11,012 | \$529 | 4.4% |
| San Mateo | 7,396 | \$835 | 3.9% |
| Santa Clara | 12,765 | \$274 | 1.4% |
| Sunnyvale | 7,634 | \$261 | 1.0% |
| Vacaville | 5,222 | \$75 | 0.3% |
| South San Francisco | 3,503 | \$760 | 1.9% |
| Average (Minus Major Cities) | 7,763 | \$624 | 3.9% |

BLT as % of
General Fund
Rev

Neighboring Cities Business License Tax

| Cities | CAP | Structure |
|----------------|-----------------------|-----------|
| Belmont | No | GR |
| East Palo Alto | No | GR |
| Foster City | \$250k | GR |
| Menlo Park | \$8K | GR |
| Mountain View | No | Per Emp |
| Palo Alto | 500k | Sq Ft |
| Redwood City | Current Recomm \$500K | Per Emp |
| San Mateo | N/A | GR |
| Santa Clara | \$350k | Per Emp |

Outreach Summary

South San Francisco Chamber of Commerce

San Mateo County Economic Development
Association (SAMCEDA)

South San Francisco Conference Center

San Mateo County Association of Realtors (SAMCAR)

California Life Sciences Association

BioCom

Kaiser Permanente

Genentech

Stripe

Action

Select the Business License Tax Options

Submit to November 5 Ballot

Designate Mayor or designee to develop Written Argument/Rebuttal

To maintain City services, such as: fire protection/paramedic emergency response; neighborhood police patrols and services; pothole, street and road maintenance; parks and recreation programs; library programs and services; and for general government use; shall the City of South San Francisco ordinance be adopted modernizing the business license tax, with increases in rates varying with the size of the business, as described in the ordinance, providing approximately \$3.4 million annually, until ended by voters, with annual audits and citizens' oversight?

Yes

No

Ballot Measure



Q&A