

#### 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

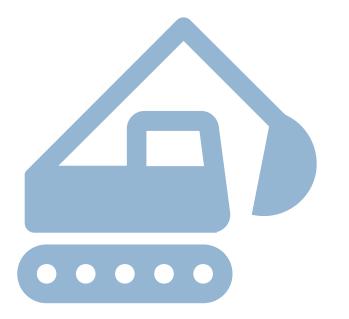


#### Temporary Vendor

# 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, nonemployee, 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

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;

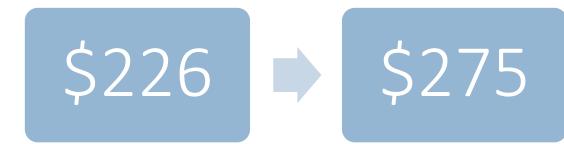
**Laboratory**, landscape architect, lapidary, Map maker or cartographer, mineralogist, moneylender or money broker, mortician;

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.

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

Tax Change Impact by Business Category

> 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 2 7 7	\$30	\$30	\$30
5-9	255	\$35	1,322	220 220	22U	<b>Υ</b>
10-19	166	\$50				
20-49	121	\$60	321	\$45	\$45	\$50
50-99	34	\$75				
100-249	22	\$80				
250-499	4	\$90	29	\$55	\$75	\$90
500-999	2	\$100	29	200	د ۱ ډ	<b>υ</b> ς <b>γ</b> ου
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

Кеер	Set	Remove	Escalate
<ul> <li>Cap at 150,886.50</li> </ul>	<ul> <li>\$500,000</li> <li>\$750,000</li> <li>\$1,000,000</li> <li>Other</li> </ul>	•Cap	•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

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### 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; Yes 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 No described in the ordinance, providing approximately \$3.4 million annually, until ended by voters, with annual audits and citizens' oversight?

# Ballot Measure



# Q&A