



Legislation Text

File #: RES 12-6417, **Version:** 1

TO:
Honorable Mayor Powell and Members of the City Council

THROUGH:
David N. Carmany, City Manager

FROM:
Bruce Moe, Finance Director
Steve Charelian, Revenue Services Manager

SUBJECT:..Title
Public Hearing Regarding the 2013-2014 Business License Tax.
Conduct Public Hearing, Adopt Resolution No. 12-6417

The City Council Finance Subcommittee and staff recommend that the City Council:

- a) Conduct a public hearing, and
- b) Adopt Resolution No. 12-6417 establishing the 2013-2014 Business License Tax rate by adjusting the 2012-2013 tax rate by the United States Department of Labor Bureau of Labor Statistics September Consumer Price Index of 2.2%.

FISCAL IMPLICATIONS:

Assuming that gross receipts relatively stay the same, staff estimates that business tax revenue will increase by approximately \$66,000.

DISCUSSION:

Section 6.01.320 of the Municipal Code provides for an annual adjustment (increase or decrease) of business license tax rates. The adjustment is based on the Bureau of Labor Statistics - Consumer Price Index (CPI) as measured in September for the previous twelve month period. The September 2012 CPI reflected a 2.2% increase over September 2011 (this compares to the 2011 CPI increase of 3.1%). The annual adjustment can increase or decrease depending on a positive or negative CPI.

Based on the established business license tax schedule, a 2.2% increase does not necessarily translate into a 2.2% tax increase in all cases. Please see the business license tax analysis (attachment 2) for examples of how the increase affects various taxpayers. For calculation purposes, new business license taxes are prorated quarterly (and therefore are rounded to be divisible by four).

The City processes approximately 4,500 business licenses per year. The business license tax year is from March to February.

In accordance with California State Senate Bill 1186 (Steinberg & Dutton 2012), this year's business license tax will include a fee in the amount of \$1.00 collected from all businesses upon issuance or

renewal of license. The purpose of the legislation and fee is to fund development of more educational and training resources at State and local levels to promote compliance with the Americans with Disabilities Act. Monies collected will be allocated 70% to the City and 30% to the Division of State Architect. The City may use 5% of monies collected for administrative costs with the balance funding training of a Certified Access Specialist. The effective period for SB 1186 is January 1, 2013 through December 31, 2018.

On November 20, 2012, the City Council's Finance Subcommittee approved the proposed increase in the 2013-2014 Business License Tax. Aside from the increase, there are no other significant changes to this year's business tax resolution. If the City Council adopts the proposed resolution, the new business license tax rates apply for the 2013-2014 business tax year.

Staff recommends that the City Council conduct the required public hearing in order to implement this increase. The Downtown Business and Professional Association and the Chamber of Commerce have been notified. The public hearing was properly noticed in The Beach Reporter.

Attachments:

1. Resolution Number 12-6417
2. 2013-2014 Business License CPI Tax Analysis
3. Proposed 2013-2014 Business License Tax Rates