

Business License Tax Modernization Plan

March 3, 2026



Note: This PowerPoint presentation is intended solely as a visual aid to an oral staff presentation of an agenda report topic. In the event of any differences between the presentation and the agenda report, the information in the agenda report prevails.

Agenda

1. Background and History of Business Licensing
2. Fiscal Impacts of Business License Tax Modernization Plan
3. Goals of Business License Tax Modernization Plan
4. List of Priorities Grouped in Phase 1 and Phase 2
5. Tentative Timeline and Outreach Plan
6. Recommendation



Background

What is a Business License Tax (BLT)?

- BLT is assessed on persons or entities for the privilege of conducting business within the City
- Potential to be major source of revenue for most cities
- Licensing process allows cities to regulate the types of businesses that can operate and conduct activities
- Purpose of BLT is to ensure that businesses comply with local regulations and contribute to public services, to which they benefit
- BLT revenues support the General Fund to pay for public services, maintenance, infrastructure and other costs



Background

- BLT is typically based on gross receipts and/or a flat rate
- Tax is sometimes based on the number of employees, number of vehicles, square footage of the business or some combination of factors
- Over 95 % of cities/counties in California impose a BLT
- On average, BLT reflects 3% of a city's revenues
 - In some cities, it makes up 30% of General Fund revenues
- Manhattan Beach BLT provides about 5% of General Fund revenues (about \$6 million)



History of Business License in MB

- 1971 – Business Licensing regulations, codified under MBMC Chapter 6.01, first enacted
- Subsequent updates applied to the Code:
 - 1975 – Added Chapter 6.08 Garage or Lawn Sales
 - 1978 – Added Chapter 6.12 Games of Skill and Science
 - 1985 – Added Chapter 6.16 Fortune-Telling
 - 1998 – Added Chapter 6.20 Temporary Film Permits
 - 2006 – Amended 6.10.010 & 6.10.020 Clearer Definitions, License Required
 - 2019 – Added Chapter 6.24 Sidewalk Vending
- After 50 years, a comprehensive update to the BLT Code is warranted due to significant shifts in State law, case law and modern ways business is conducted



Fiscal Impacts

- Budget for a comprehensive Business License Tax Update was approved during FY 2026 Mid-Year Budget (\$202,400):
 - \$52,400 in Specialized Legal Services
 - \$60,000 for Financial Analysis/Tax Study
 - \$90,000 for Polling/Ballot Measure Consultant Services
- Impacts to City's BLT revenue would be identified in Financial Analysis before a ballot measure is put forward to voters
 - Tax Study will provide options for alternative tax structures, categories, and fiscal impacts to City and to businesses
 - Analysis will include a comparison of other City BLT rates
 - Cities include: 1) Redondo Beach, 2) Hermosa Beach, 3) El Segundo, 4) Torrance, 5) Beverly Hills, 6) Culver City, and 7) Santa Monica



Main Goals of Business License Update



1) Simplify the Code



2) Clarify the Code



3) Modernize the Code



4) Fair and Equitable Tax Structure



5) Maintain Fiscal Sustainability



Priorities – Phase 1

    
Simplify - Clarify - Modernize - Fair - Sustainability

Actions that Require City Council Approval via Ordinance

1



Clarify requirements for Mobile and Sidewalk Vendors

2



Clarify revocation process, appeal process, or business license denial

3



Clarify required documents for different business types

4



Clarify language regarding confidential documents in MBMC 6.01.230

5



Clarify the Delinquent Process in MBMC 6.01.250



Priorities – Phase 1

    
Simplify - Clarify - Modernize - Fair - Sustainability

Actions that require City Council Approval via Ordinance



Clarify/
update “due
date” from
March 1st to
to April
30th
(MBMC 6.01.070)



Clarify/
revise City
Manager’s
authority to
exempt a
business
from paying
business
license tax
(MBMC 6.01.280 G)



Clarify/
revise Police
Chief and
Police
Officers’
authority to
make arrests
for violating
business
license code
(MBMC 6.01.260)



Change
any
references
of “Fee” to
“Tax”
throughout
code



Update
record-
keeping
procedures
of gross
receipts /
IRS
information
for life of
business
plus 5 years
(Resolution No. 5002)



Phase 1 – Ordinance No. 26-0005

- Amends sections of Chapter 6.01 Business Licensing Regulations:

6.01.030 Authority to impose license fees and taxes.

6.01.040 License tax a debt.

6.01.060 License year.

6.01.070 License tax due dates.

6.01.090 Tax Refunds.

6.01.100 Transfer of license fee. (Deleted)

6.01.110 Duplicate license fee. (Deleted)

6.01.160 Revocation and suspension.

6.01.190 Application - First License.

6.01.210 Statement and records.

6.01.220 Failure to file statement or corrected statement.

6.01.230 Information confidential.

6.01.240 Appeals.

6.01.250 Rules and regulations - Licensing Authority.

6.01.260 Enforcement.

6.01.270 Penalty.

6.01.280 Exemptions.

6.01.290 Requirements of general builder or engineering contractor or owner/builder.

6.01.320 Consumer Price Index (CPI) adjustments.



Questions on Phase 1

- Ordinance No. 26-0005 amends sections of Chapter 6.01 Business Licensing Regulations
- Edits include long overdue administrative clean-up of the code and best practices
- Questions?



Priorities – Phase 2

    
Simplify - Clarify - Modernize - Fair - Sustainability

Actions Require Voter Approval

11  

Update categories based on business type instead of location (eliminate Home Occupation, PO Box, etc.)

12 

Consolidate Tax Types based on Gross Receipts

13   

Clarify and expand Professional Services (Real Estate) and create new business types (Waymo, WeWork, other new industries)

14  

Clarify tax category for STR vs Hotels (Gross receipts vs per room tax)

15  

Consider a standard deduction for business license tax



Priorities – Phase 2

    
Simplify - Clarify - Modernize - Fair - Sustainability

Actions Require Voter Approval

16   

Consider changes to Sales Tax Credit (currently applies to Commercial Property category only per MBMC 6.01.310)

17   

Address apportionment by eliminating base tax and clarify exemptions /deductions for revenues generated in other jurisdictions

18 

Clarify definition of employees to include both on-site and remote employees

19  

Update the current rate structure to be comparable with neighboring cities

20  

Raise or remove the cap to address equity across business types



Addressing the Cap in Phase 2

Analysis of Current Business License Tax

Comparison of Business License Tax Payments Based on Gross Receipts of \$100K, \$500K, \$1M, \$3M, \$4.5M, \$5M, \$10M, \$20M

	Gross Receipts	Business License Tax Payment	% of Gross Receipts
1	\$100,000	\$337	0.34%
2	\$500,000	\$1,457	0.29%
3	\$1,000,000	\$2,857	0.29%
4	\$3,000,000	\$8,457	0.28%
5	\$4,500,000	\$12,156	0.27%
6	\$5,000,000	\$12,156	0.24%
7	\$10,000,000	\$12,156	0.12%
8	\$20,000,000	\$12,156	0.06%

The current business license tax cap is \$12,156 for the 2026-2027 licensing year. Based on this tax structure, a business generating \$5 million pays the same as a business generating \$10 million or more

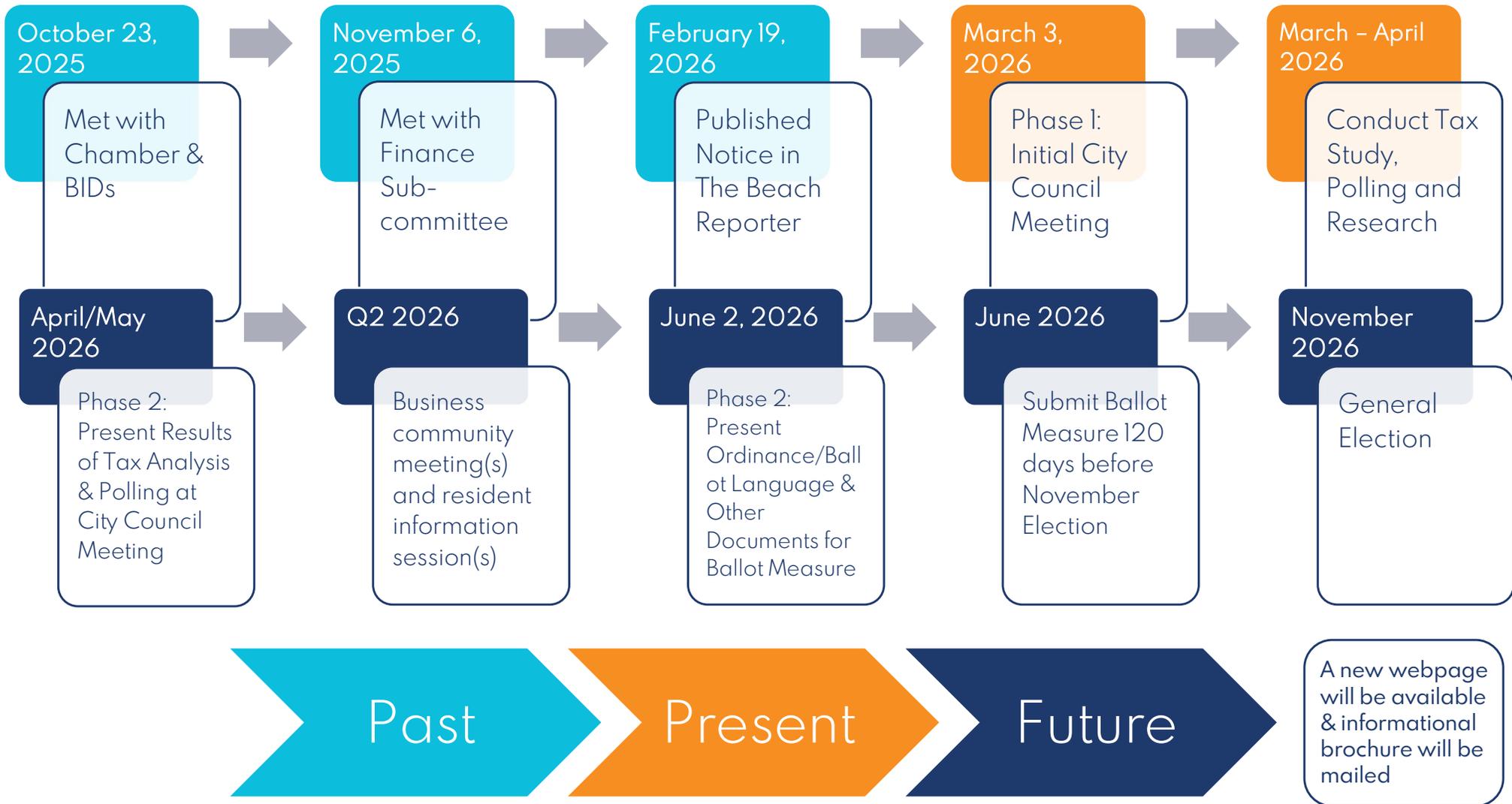


Questions on Phase 2

- Phase 2 can be accomplished through an Ordinance and ballot language that requires voter approval in the November 2026 election
- This addresses code amendments that trigger any tax changes
- In April/May 2026, staff will present to City Council alternative options and discuss results of the Financial Analysis/Tax Study and Community Polling
- In June 2026, staff will present to City Council the final Ordinance and ballot language to be considered for the November 2026 election
- Questions?



Tentative Timeline & Public Outreach



Recommendation

- Staff recommends that the City Council:
 - (1) conduct a Public Hearing
 - (2) adopt Ordinance No. 26-0005 amending sections of the Manhattan Beach Municipal Code Chapter 6.01 Licensing Regulations
 - (3) Discuss and provide direction regarding the Business License Tax Modernization Plan, including the Priorities and Tentative Timeline



