

From: [David Long](#)
To: [City Council Public Comments](#); [_CityCouncilListPublic](#); [Smith, Maraskeshia](#); [Finance Department](#)
Subject: [EXTERNAL] Business License Tax, Item 15.2 on 8/6/24 City Council meeting agenda
Date: Monday, August 5, 2024 10:19:52 PM
Attachments: [Business License Tax ideas.pdf](#)

Please consider the attached document when restructuring the Business License Tax that may be placed on the November 2024 ballot.

Thanks you,
David Long

To: City Council, Maraskeshia Smith, Alan Alton

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The Long-Term Financial Policy and Audit Subcommittee, along with City's Business Tax Administrator (Hdl), worked for the better part of a year to develop the original proposal for restructuring the Business Licensed Tax. That original proposal was estimated to generate additional revenues of \$12 million annually. After concerns about that proposal were raised at the July 9, 2024 City Council meeting, it was revised to a structure that is estimated to generate additional annual revenues of only \$3 million. The City's General Fund Budget deficit is projected to grow from 13.3 million in FY 2/25 to \$36.4 million in FY 28/29. Perhaps even more staggering is that without generating significant additional revenues, the City will exhaust all of its General Fund Reserves during FY 26/27 and \$3 million of additional annual revenue will not be enough to change this outcome. It seems to me that a more reasonable target revenue would be in the \$5 million to \$6 million range.

While the new proposed structure includes some excellent ideas, it comes up short in two areas:

1. It fails to fairly assign tax amounts to businesses with less than \$1,000,00 of annual gross receipts.
2. Raising the tax cap by just \$7,000 annually for businesses with high gross receipts disproportionately favors many businesses with annual gross receipts of more than \$5,000,000.

Not charging businesses in the three lower gross receipt tiers an additional \$/\$1,000 tax above the base rate, similar to what is proposed for the top tier, is disproportionately favoring the lower revenue businesses within each tier. That additional tax would have most smaller businesses paying just a few hundred dollars more per year in tax. That is a fair charge to businesses that would generate a significant amount of revenue for the City.

Also depending on which Business Group one falls in, businesses with greater than \$1,000,000 in annual gross receipts will reach the proposed \$10,000 tax cap when they have between \$5,357,143 and \$26,470,588 of annual gross receipts. A higher tax cap of, say \$15,000 or \$20,000, with future adjustments to account for inflation, seems more appropriate.