

**CITY OF SANTA ANA  
BUSINESS LICENSE TAX OFFICE (M-15)**

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**BALLOT MEASURE W - FREQUENTLY ASKED QUESTIONS (FAQs)**

**Q: What is Measure W?**

A: On June 21, 2022, the Mayor and City Council of Santa Ana unanimously approved a Voter Ballot Measure Resolution for the November 8, 2022, General Municipal Election. Measure W would restructure non-cannabis business license tax rates and related portions of the Santa Ana Business License Tax Code. Measure W focuses on improving business license tax fairness for Santa Ana businesses, especially small businesses as well as the new home-based “gig” economy.

**Q: What is a business license and who is required to pay a business license tax?**

A: A business license is a yearly tax charged by individual California cities and counties for the privilege of conducting business within an individual city or county. Every company, firm, or individual who is located in the City or comes into the City to engage in business is required to pay a business license.

**Q: How will Measure W affect what I currently pay as a business?**

A: Please click here to see a Business License Tax Change Matrix comparing the current tax rates versus the proposed tax rates <https://www.santa-ana.org/documents/measure-w-business-license-tax-rate-change-matrix/>.

**Q: What is the difference between regressive tax rates vs. proportional tax rates?**

A: Regressive tax rates cause a business’ average tax burden to decrease as higher business income is reported. Businesses with low business income, on the other hand, pay a disproportionate share of the tax burden on the income they receive. Proportional tax rates result in similar businesses paying the same tax rate regardless of any outside factors, such as how high of low their annual business income is.

**Q: Why restructure the current Business License Tax Code?**

A: The current tax rate structure favors large businesses, whose contributions to the City are indirectly subsidized by medium, small, and home-based businesses due to the steeply regressive nature of the gross receipts tax rate schedules last adopted in 1987. Measure W would act to shift businesses who are taxed on their business income from a steeply regressive set of rates to a single proportional set of rates. Select types of businesses and self-employed individuals who are taxed on a flat rate or variable flat rate basis also indirectly subsidize larger businesses. Measure W would also act to shift these businesses to a single proportional set of rates, or would reduce the future amount of their current rate. Additionally, the minimum basic tax rate amount would be reduced by over 50% for brick & mortar businesses, and by over 80% for home-based businesses. A maximum gross receipts tax amount would also be included to cap assessments.

**Q: How does Measure W affect home-based businesses, the “gig” economy, and self-employed independent contractors?**

A: Measure W would simplify the tax rate structure for non-cannabis businesses and is intended to be fairer to medium and small businesses, home-based businesses, and new “gig” economy free-lancers. In 1987, the Business License Tax Code did not factor in the development of home-based businesses and the future gig economy, which have grown greatly in the last 35 years.

**Q: Did the City Council consider the revenue effect upon the City?**

A: Yes. The Voter Ballot Measure is projected to be “revenue neutral”, meaning there is no planned overall increase to the City’s business license tax revenue directly resulting from the rate structure changes included in Measure W.

**Q: What is the Tax Holiday Program?**

A: A Tax Holiday Program is a flexible period (based on a business’ tax status and assessment period) for unlicensed, past due, or under-assessed businesses to obtain a valid business license or satisfy unpaid or unassessed business license taxes. Any persons with unlicensed businesses, who pay all their business license taxes due for the current tax year within a (90) day period, will be excused from all back taxes owing, including penalties & interest. For any persons with licensed businesses that owe back taxes because of improperly filed taxes, and who wish to satisfy their tax debt, the amount of the back taxes outstanding must be paid in full in order to qualify for a tax penalty & interest waiver.

**Q: Which Santa Ana businesses will qualify for the Tax Holiday Program?**

A: The Tax Holiday will apply to all persons required to obtain a City business license and pay the business license tax. If Santa Ana voters approve Measure W, the Tax Holiday Program will be available to unlicensed, past due, or under-assessed businesses to help them to obtain a valid business license or satisfy unpaid or unassessed business license taxes.

**For more information on Measure W, please visit:**

<https://www.santa-ana.org/business-tax-equity-and-flexible-tax-holiday-ballot-measure/>