



# **Business License Tax November 2018 Ballot Measure P**

**Presented to the  
Cities Association of Santa Clara County**

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# Background

- December 2017 – Council directs staff to evaluate: (1) taxation of cannabis; (2) an increase in the Transient Occupancy Tax (TOT); and (3) an employer tax (business license or BL Tax).
- January 2018 – Council adopts work plan/establishes Council Subcommittee
- February to June 2018 – Community outreach to stakeholders and community.
- March 2018 - Public opinion poll
- April 2018 – City Council update and direction to continue to evaluate all three measures and conduct follow-up poll.
- June 5, 2018 – City Council update/direction to prepare ordinances for BL Tax and Cannabis Tax.
- June 2018 – Follow-up public opinion poll.
- June 26, 2018 – Council action to place two measures on November Ballot



# Business License Tax

- Over 5,000 active business licenses in Mountain View, self-reporting over 64,000 employees.
- Current tax generates approximately \$250,000 annually; most businesses only pay \$30.
- Fee has not changed since 1954.
- City evaluated a restructuring to generate up to \$10 million, with larger companies paying more per employee.

City	Business Tax Revenue
San Jose	\$49,041,038
Sunnyvale	\$1,845,883
Los Gatos	\$1,779,30
Santa Clara	\$931,423
Cupertino	\$663,757
Campbell	\$662,787
Gilroy	\$622,760
Los Altos	\$453,606
Saratoga	\$420,628
Milpitas	\$309,027
<b>Mountain View</b>	<b>\$252,000</b>
Morgan Hill	\$225,560
Los Altos Hills	\$223,369
Palo Alto	\$83,100
Monte Sereno	\$36,645

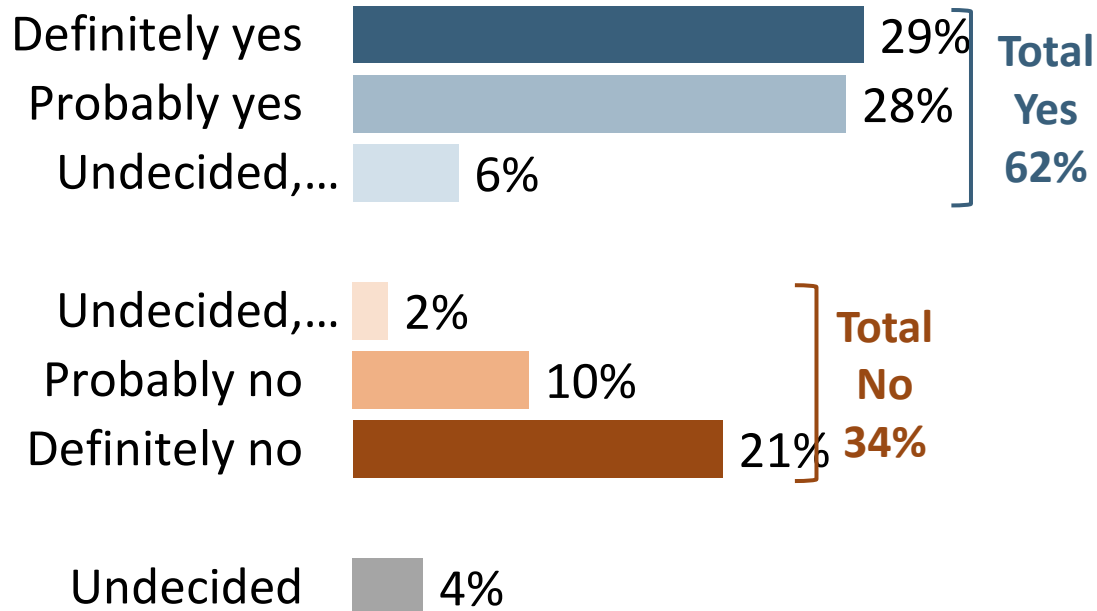


# Community Outreach

- 6 subcommittee meetings
- Over 20 community/stakeholder meetings
  - Hotels
  - Cannabis
  - Largest employers
  - Chamber of Commerce (staff/Committee/group business meetings)
  - Transportation Management Association
  - Central Business Association
  - Silicon Valley Leadership Group
  - Community Meeting
- Community Surveys
  - Open City Hall
  - Chamber of Commerce Business Survey
  - Public Opinion Poll (2)

# More than three in five say they would support the general purpose employer tax.

*Do you think you would vote yes or no on such a measure?*



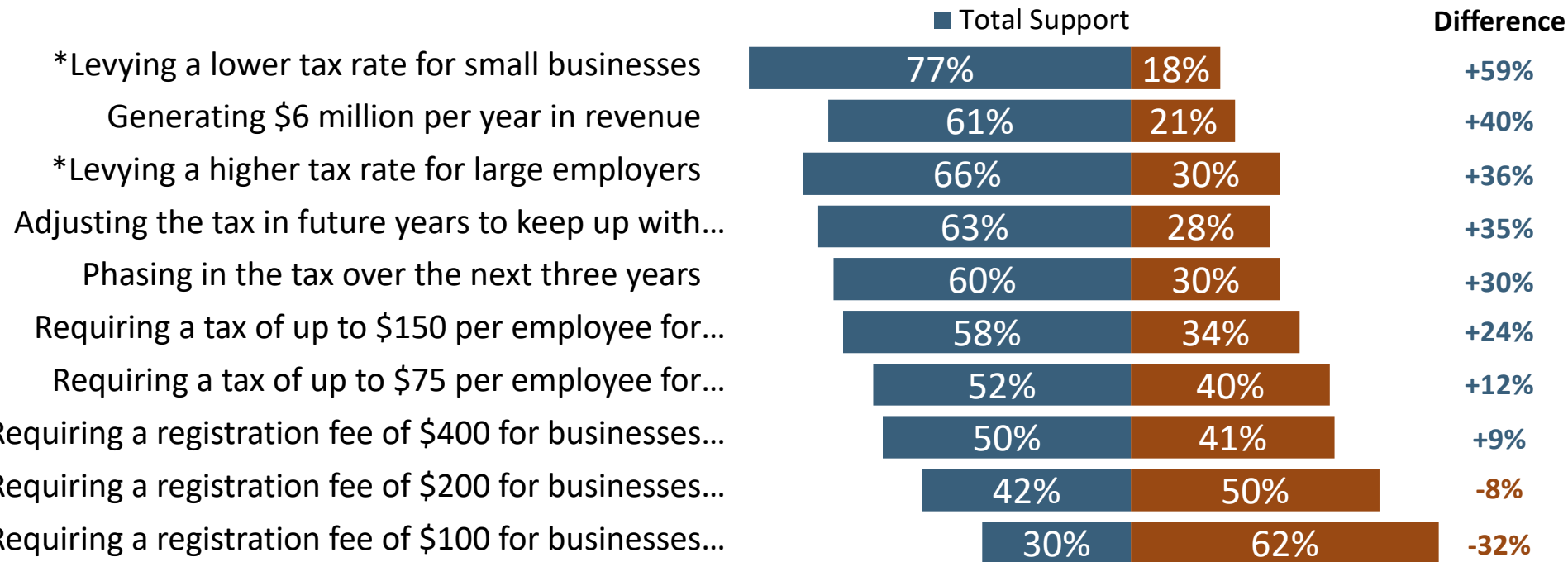
*General purpose employer tax in **March** (asked as a general concept):*

Total Yes: 67%  
Total No: 25%  
Undecided: 8%

# Voters offer strong support for levying lower tax rates for small businesses.

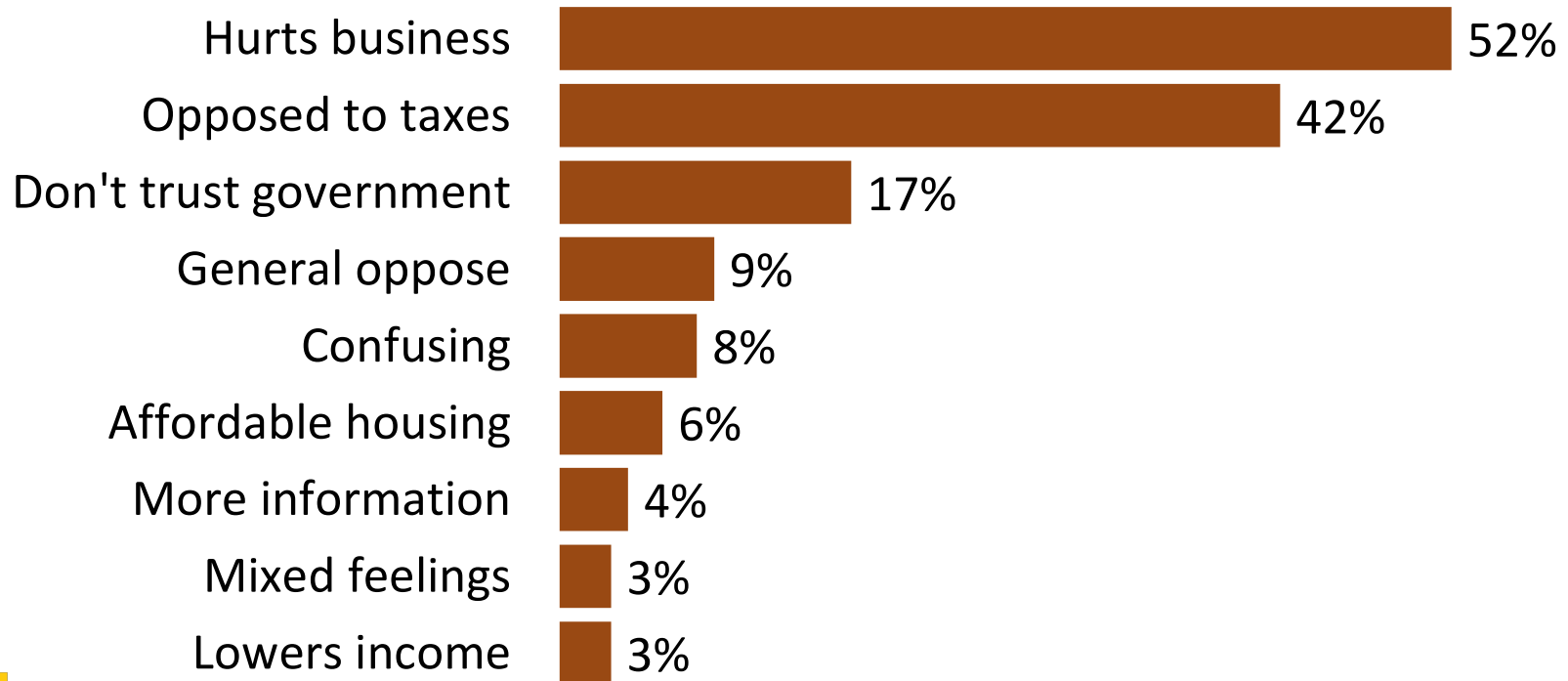
I am going to read you a list of some specific elements that could be included in the first measure we discussed, the business license tax based on the number of employees the business has in Mountain View. **Please tell me whether you support or oppose that provision.**

Note that while all businesses would pay a business license tax, you will only hear several examples of the rates that different-sized businesses will pay. You will not hear rates for every business size.



# A majority of those opposed worry that the tax will hurt business.

In a few words of your own, why would you vote **NO** on this measure?  
*(Responses 3% and Above Shown)*





# Key Policy Issues and Rec.

<b>BL Tax—Policy Issues</b>	<b>Subcommittee Recommendation</b>
<b>Overall revenue target</b>	Two preferred \$10 million.
<b>Cap for maximum tax</b>	No cap.
<b>General or special tax</b>	No consensus. Further discussion needed.
<b>Base rates and incremental tax</b>	Progressive with three base registration fees.
<b>Employee count reporting requirement</b>	Tax based on average employee count from last four quarters submitted to State (DE-9 form). (San Jose allows an alternate calculation based on FTE.)
<b>Inflation factor</b>	Authority for a CPI adjustment, subject to the annual fee resolution.
<b>Rate for employers not located in Mountain View, but who do work in the City</b>	Employers pay a prorated base rate based on the average number of days working in City in calendar year plus incremental tax based on number of employees based on San Jose model
<b>Phasing in tax</b>	Tax effective in 2020 for the smaller businesses subject to a flat “registration fee”; larger companies would phase in from 2020 to 2022.

Notes:

-Staff recommends increasing amount of income required before being subject to the BL Tax from \$500 to \$5,000 gross revenue.





# Business License Tax

## Ballot Question – General Purpose Tax (majority approval)

Shall the measure to fund critical City needs such as reducing traffic congestion, enhancing bicycle/pedestrian-friendly routes, providing housing affordable for a range of incomes/homeless services, by imposing a business license tax of **between \$9 and \$149** dollars per employee on average, with larger companies paying more per employee, generating about 6 million dollars yearly for unrestricted general revenue purposes, until ended by voters, with independent yearly audits, be adopted?



# BL Tax: Council Model

## Business License Revenue "Model A - Approved June 26, 2018"

		# Businesses	# Employees	Incremental Tax/Fee	Estimated Revenue	Range	
Range	Rate					Low	High
1	Base Rate - \$75	1,990	1,990	0	\$149,250	\$75	\$75
2-25	Base Rate + Incremental Rate	1,461	9,381	<b>\$5</b>	\$149,175	\$80	\$195
26-50	Base Rate + Incremental Rate	95	3,467	<b>\$10</b>	\$29,445	\$205	\$445
51-500	Base Rate + Incremental Rate	104	13,055	\$75	\$635,405	\$520	\$34,195
501-1,000	Base Rate + Incremental Rate	4	2,901	\$100	\$226,880	\$34,295	\$84,195
1,001-5,000	Base Rate + Incremental Rate	6	10,324	\$125	\$1,045,670	\$84,320	\$584,195
5,001+	Base Rate + Incremental Rate	1	23,324	\$150	\$3,332,795	\$584,345	No Cap <sup>(1)</sup>
Out of Area <sup>(2)</sup>	Base Rate - \$200	1,724		\$200	\$344,800	\$200	\$200
<b>Total MV Businesses &amp; Employees</b>		<b>3,661</b>	<b>64,442</b>		<b>5,913,420</b>		

1. Largest company would pay \$3.3M (56%).

2. This is an estimate based on a flat fee. Council adopted a different model for out of town businesses based on the number of employees and days worked in Mountain View, similar to San Jose (which will likely generate more revenue).



# BL Tax: Council Model

## Business License Tax Model - Approved June 26, 2018

### Businesses Located in Mountain View

Number of Employees	Incremental Tax/Fee	Annual Cost
1	0	75 (base rate)
2-25	\$5	\$75 + \$5/per employee over 1
26-50	\$10	\$195 + \$10/per employee over 25
51-500	\$75	\$445 + \$75/per employee over 50
501-1,000	\$100	\$34,195 + \$100/per employee over 500
1,001-5,000	\$125	\$84,195 + \$125/per employee over 1,000
5,001+	\$150	\$584,195 + \$150/per employee over 5,000

### Out of Town Businesses\*

5 Days or Less	6-29 Days	30-89 Days	90-119 Days	120 Plus Days
0%	25%	37.5%	50%	100%

\*Out-of-town businesses pay the same incremental tax rate based on number of employees, but prorated based on the average number of days working in the City.

Total revenue estimate is approximately \$6 million.

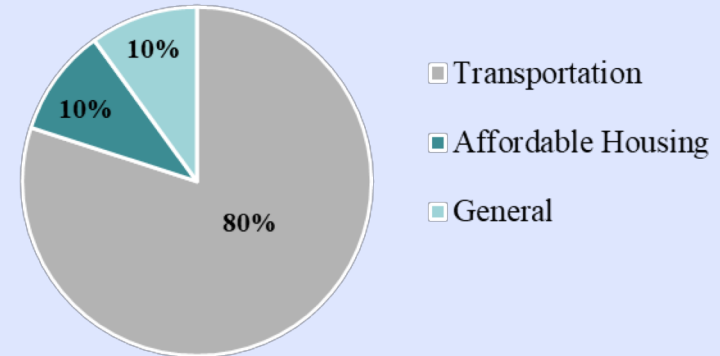
# BL Tax - Spending Priorities

## Resolution Establishing Spending Priorities

- June 5 Council Meeting – direction to dedicate majority of funds to transportation. Adopt resolution stating.
- Spending Priorities
  - 80% transportation
  - 10% affordable housing
  - 10% General Government Purposes



Spending Priorities





The screenshot shows a web browser window displaying the Mountain View City website. The browser's address bar shows the URL: [https://www.mountainview.gov/depts/manager/2018\\_potential\\_general\\_revenue\\_measu](https://www.mountainview.gov/depts/manager/2018_potential_general_revenue_measu). The website header includes the City of Mountain View logo, navigation menus for City Council, Departments, Services, How Do I..., About Us, and Contact Us, and a search bar. The main content area features a large article titled "INFORMATION ON NOVEMBER 2018 CITY REVENUE BALLOT MEASURES". The article text states: "After 6 months of study, analysis and outreach, the Mountain View City Council has placed two revenue measures on the ballot for November 2018." Below the title, there is a section for "BUSINESS LICENSE TAX MEASURE P" with a "Click title for fact sheet." link. A highlighted box contains the text: "MEASURE P (BUSINESS LICENSE TAX) BALLOT QUESTION. Shall the measure to fund critical City needs such as reducing traffic congestion, enhancing bicycle/pedestrian friendly routes, providing housing affordable for a range of incomes/homeless services, by imposing a business license tax of between \$8 and \$149 per employee on average, with larger companies paying more per employee, generating about \$6 million yearly for unrestricted general revenue purposes, until ended by voters, with independent yearly audits, be adopted?". A list of links follows: [Impartial Analysis](#), [Revenue Model](#), [Proposed Ordinance](#), [Argument in Favor](#), [Argument Against](#), [Rebuttal to the Argument in Favor](#), and [Rebuttal to the Argument Against](#). The browser's taskbar at the bottom shows various application icons and the system clock indicating 2:37 PM on 11/5/2018.



# City of Mountain View

Election Results...

69%



Questions?