



City of Lompoc

Business Tax Discussion and Ballot Initiative

**City Council
May 6, 2014**



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Decisions Needs:

- ✓ Fairness issues among business tax assessments
- ✓ Adjustments for inflation – past and future
- ✓ Whether to proceed with a ballot measure



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Main Concepts:

- Business Tax Certificate issued for all persons conducting business
- City revenue from Business Tax may be used for General Fund purposes
- Principal nexus & use is for public safety (Police & Fire services)



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Business Tax as % of Public Safety Budget:

1963/64	9.7%
1978/79	7.0%
1979/81	5.4%
1991/93	3.5%
2001/03	3.2%
2013/15	2.0%



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Who Pays and How:

- Businesses reporting revenue pay a percentage of gross receipts
- Contractors pay a flat fee
- Landlords (3+ units) pay a flat rate per unit
- Direct sellers pay a flat fee



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Fairness Issues:

- Smaller businesses pay a larger percentage of gross receipts than do larger businesses
- Non-headquartered industries may pay only the minimum (\$30)
- Contractors assessed differently from other professionals



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Possible Fairness Fixes:

- Flat Fee to issue certificate, constant % of gross receipts thereafter
- Pay based on employee count (FTE) for those not reporting income
- Contractors assessed the same as other professionals



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<u>Gross Receipts</u>	<u>Current Fee</u>	<u>%</u>
\$ 100,000	\$ 151	0.151
500,000	341	0.068
1,000,000	436	0.044
5,000,000	1,186	0.024
10,000,000	2,186	0.022
50,000,000	10,186	0.020



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Historical Inflationary Impacts:

- CPI +260% since 1978
- Self-adjusting for those reporting based on gross receipts
- Eroded for those paying fixed or flat rates: minimum charges, landlords, contractors



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Possible Corrections for Inflation:

- No adjustment needed to gross receipt schedule
- One-time “catch-up” for set rates
- Future adjustments to set rates tied to CPI or at a set rate (2%?)



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Next Steps (if City Council directs):

- Bring a resolution requesting consolidation with November election
- File resolution with Clerk of the BOS no later than June 26
- Appropriate the estimated \$24,000 for the election



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Decisions:

- Does City Council wish to proceed with any fairness adjustments?
- Does City Council wish to include any adjustments for inflation?
- Does City Council authorize an estimated \$24,000 for election costs?