City of Costa Mesa

Business License Tax Presentation

July 10, 2012

1

CITY COUNCIL STUDY SESSION

Presentation Agenda:

- History
- Comparative Data
- Potential Fiscal Impact/Analysis

2

Business License Tax History

Common Business License Tax Structures

- Gross Receipts (GR)
- Mill Rate (amount per $1,000 GR)
- Per Employee

3

Business License Tax History

- Last changed as an ordinance 4-1-1985
- Currently assessed based on total gross receipts
- Tiered Format
- Swap Meets, Shows, Exhibitions
- Contractors, Taxicabs, Vehicles

4

Business License Tax History

Minimum	Maximum	Tax
$ 0	$ 1,000	$ 0
$ 1,000.01	$ 25,000	$ 25
$ 25,000.01	$ 40,000	$ 35
$ 40,000.01	$ 75,000	$ 45
$ 75,000.01	$ 200,000	$ 60
$ 200,000.01	$ 500,000	$ 100
	$ 500,000.01 +	$ 200

5

Business License Tax History

- Swap Meets, Shows & Exhibitions
  Use gross receipts scale,
  plus $5 per seller
- Contractor and Taxicabs - $50 flat fee
- Vehicle/Tow Truck Bus - $25 per vehicle

6

Business License Tax Comparative Data

City of Santa Ana – Gross Receipts
$9.8 million, tier structure

City of Orange – Gross Receipts
$2.2 million, tier structure

City of Irvine – Flat
$1 million, $25 < $4,000 , $50 > $4,000

City of Newport Beach – Per Employee
$4.0 million, $155 - $8 or $16 per employee

City of Huntington Beach – Per Employee
$2.2 million, $75 - $2 up to $4 per employee

7

City of Santa Ana Comparative Data

Base and Mill Rate Structure

Base Tax - $120 Annually Adjusted for CPI

Variable Tax – Category 1

$1.00 per $1,000 up to $200,000 in Gross Receipts
$0.60 per $1,000 up to $1,000,000 in GR
$0.40 per $1,000 up to $2,000,000 in GR
$0.30 per $1,000 over $2,000,000 in GR (no cap)

Examples - $1,000,000 = $720 ($600+$120)
$50,000,000 = $15,120

8

City of Orange Comparative Data

Multi-tiered Gross Reciepts Structure

$35 – First $30,000 Gross Reciepts
$50 – Over $30,000 less than $50,000
$75 – Over $50,000 less than $75,000
$100 – Over $75,000 less than $100,000.....
$195 – Over $400,000 less than $500,000
+$20 – Each additional $100,000 over $500,000(no cap)

Examples - $1,000,000 = $295 ($195+$100)
$50,000,000 = $10,095 ($195+$9,900)

9

City of Irvine Comparative Data

Fixed Tax Structure

$50 - Annual gross receipts greater than $4,000

$25 - Annual gross receipts less than $4,000

10

City of Newport Beach Comparative Data

Per Employee Structure Annually Adjusted for CPI

In Town Commercial – Collects Sales Tax
  $158 plus $8 per employee – Max $790
In Town Commercial – No Sales Tax Collected
  $158 plus $16 per employee – Max $1,579
Residential - $150
Out of Town Based - $237
Post Office Box / CMRA - $158

11

City of Huntington Beach Comparative Data

Per Employee Structure
General Business - $75 plus
  $4.00 per employee (4 - 12 employees)
  $3.00 per employee (13 – 52 employees)
  $2.00 per employee (53 or more employees)

Out of City Contractors - $90 or $142.50

12

Business License Tax
Proposed

Minimum	Maximum	Tax
$ 0	$ 50,000	$ 50
$ 50,000.01	$ 100,000	$ 100
$ 100,000.01	$ 500,000	$ 250
$ 500,000.01	$ 1,000,000	$ 500
$ 1,000,000.01	$ 5,000,000	$ 1,000
$ 5,000,000.01	$ 10,000,000	$ 2,000
$10,000,000.01	$ 25,000,000	$ 5,000
over	$ 25,000,000	$10,000

13

Business License Tax
Comparative Data

Sample 1 - $250,000 GR with 0 Employees

	Current	Proposed
City of Costa Mesa	$100	$250
City of Santa Ana	$270	
City of Orange	$155	
City of Irvine	$50	
City of Newport Beach	$158	
City of Huntington Beach	$75	

14

Business License Tax Comparative Data

Sample 2 - $10,000,000 GR with 25 Employees

	Current	Proposed
City of Costa Mesa	$200	$2,000
City of Santa Ana	$3,120	
City of Orange	$2,095	
City of Irvine	$50	
City of Newport Beach	$358/$558	
City of Huntington Beach	$125	

15

Business License Tax Comparative Data

Sample 3 - $75,000,000 GR with 200 Employees

	Current	Proposed
City of Costa Mesa	$200	$10,000
City of Santa Ana	$22,680	
City of Orange	$15,095	
City of Irvine	$50	
City of Newport Beach	$790/$1,579	
City of Huntington Beach	$275	

16

City of Costa Mesa

Business License Tax Presentation

July 10, 2012

17