

City of Costa Mesa

Business License Tax Presentation

July 10, 2012



CITY COUNCIL STUDY SESSION

Presentation Agenda:

- History
- Comparative Data
- Potential Fiscal Impact/Analysis

Business License Tax History

Common Business License Tax

Structures

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

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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**

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Business License Tax History

<u>Minimum</u>	<u>Maximum</u>	<u>Tax</u>
\$ 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

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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

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*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

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*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

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City of Orange Comparative Data

Multi-tiered Gross Receipts Structure

\$35 – First \$30,000 Gross Receipts

\$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)

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City of Irvine Comparative Data

Fixed Tax Structure

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

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

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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

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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

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Business License Tax Proposed

<u>Minimum</u>	<u>Maximum</u>	<u>Tax</u>
\$ 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

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Business License Tax Comparative Data

Sample 1 - \$250,000 GR with 0 Employees

	<u>Current</u>	<u>Proposed</u>
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	

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*Business License Tax
Comparative Data*

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

	<u>Current</u>	<u>Proposed</u>
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	

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*Business License Tax
Comparative Data*

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

	<u>Current</u>	<u>Proposed</u>
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	

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The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry should be supported by a valid receipt or invoice. This not only helps in tracking expenses but also ensures compliance with tax regulations.

In the second section, the author outlines the various methods used for data collection and analysis. These include surveys, interviews, and focus groups. Each method has its own strengths and weaknesses, and the choice of method depends on the specific research objectives.

The third section provides a detailed overview of the results obtained from the study. It highlights the key findings and discusses their implications for the industry. The data shows a clear trend towards digitalization, which is reshaping the way businesses operate.

Finally, the document concludes with a series of recommendations for future research and practice. It suggests that further exploration is needed in the area of digital marketing strategies and their impact on customer behavior.