



Town of San Anselmo



Business Tax Analysis & Ordinance Review

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HdL[®] Companies

SUBMITTED BY

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Executive Summary

Background

For the purpose of providing locally-controlled funding for essential Town services, the Town of San Anselmo requires that a business license be obtained by businesses operating within the Town. The Town has adopted and continues to enforce this through Title 6 of the Town's Municipal Code. In an effort to identify methods of generating additional local funds and to garner efficiencies of process by modernizing the code, the Town commissioned the HdL Companies to prepare this report that analyzes the relevant code sections and provides certain recommendations to address the Town's stated goals.

Report Structure & Methodology

This report is divided into three complementary sections, each with its own unique approach and potential benefits. Section 1 provides complete details on the Town of San Anselmo and some of its surrounding and similar jurisdictions. Section 2 provides multiple options for changing the Town's current tax and fee structure and enumerates the potential new revenues to the Town along with the impact on the business community. Section 3 includes a review of the Town's current code language related to business licensing and provides possible changes for the Town's consideration.

Section 1 – Pages: 7 - 14

A thorough review of the Town of San Anselmo current revenues, fee structures, and those of neighboring jurisdictions can be found within this section. In developing the analysis for section 1, HdL reviewed the data provided by the Town and extrapolates detailed and summary level data including but not limited to:

- Year to Year (YTY) revenue comparisons
- Percent change YTY for business license and sales tax
- Revenue contribution by business category
- Comparison data of neighboring jurisdictions

Section 2 - Pages: 15 - 26

The two options covered under section 2 provide the Town a look at potential changes to the tax structure and how those scenarios might impact the Town and the business community. In developing the options, HdL considered, among other things the following key criteria:

- Increased revenues to the Town
- Increased fairness and equity in rates for local businesses
- Simplification of the tax structure
- Business friendly approach
- Increased efficiency for Town staff

Section 3 - Pages: 29 - 32

This section is devoted to the Town’s current code language and the potential modifications the Town may wish to consider implementing. Each section of the Town’s current code sections related to business licensing was reviewed for modifications. The code sections addressed in section 3 will be reviewed for multiple criteria:

- Potential conflicts with operational practices
- Areas to modernize code language
- Impact on staff efficiency
- Areas not in line with best practices of California Cities
- Potential loopholes or revenue leaks

Section 1 - Summary & Findings

The data in section 1 shows the Town of San Anselmo has steadily decreasing revenue from business licenses since 2013. This is primarily due to the fixed fee nature of the current rate structure. By contrast, data from the chart on **page 7** shows a steady increase of revenues derived from sales tax over the same period. This is a strong indication of the growth of business revenues within the Town and that the Town is not participating in that growth the way it would if the taxation structure was better aligned with gross receipts.

Section 1 also shows that the Town is at the top in terms of business license revenues per capita compared with surrounding jurisdictions. The details on surrounding jurisdictions can help the Town make informed decisions on rate changes to ensure a potential modification still keep the Town competitive and does not encourage flight to neighboring jurisdictions.

Section 2 - Summary & Findings

Three different options were explored to reach the Town’s goals of expanded local funds, tax equity for local businesses, and streamlined/simplified filing processes. Each of the three options for modifying the tax structure provide increased revenues to the Town while striving to create an equitable outcome for the business community by not putting the burden of increased rates on any individual category.

Option 1 takes the Town’s existing code and rate structures and simply adds a percentage base increase to the existing fees. This option provides the simplest solution for increasing revenues but does not address continued growth or the complexity of the numerous categories and the burden that places on Town staff and the business community. As indicated on **page 16**, option 1 provides the following potential revenue impact.

	Number of Accts	Current Revenues	20% Increase	40 % Increase	60% Increase
TOTALS >	1,596	\$245,929	\$295,090	\$344,296	\$393,486

Option 2 has two models outlined on **pages 19 - 21** which restructures the Town’s current code and provides for a full gross receipts model rather than the current multi-class hybrid method. This would eliminate the burdensome categories and simplifies each rate.

This option represents the best solution for increasing revenues and addressing long term growth; however, it also proves to be the most complex solution to implement as the entire code would likely require a rewrite. In

addition to the expanded revenues, the gross receipts method provides a more equitable tax rate as all businesses pay a tax on the amount they earn, rather than a fixed amount regardless of gross receipts. Option 2 provides annual revenues in excess of \$1M depending on the final rates selected by the Town.

	Current Revenues	Model 1	Model 2
TOTALS >	\$245,929	\$550,900	\$874,735

Section 3 - Summary & Findings

A review of the Town’s current ordinance language revealed six code sections that would benefit from modification or further review. The majority of the recommendations focus on reducing the regulatory burden on the business license process and creating clarity and efficiency of the process. Each section under review has been listed in its entirety along with an overview of the section and the recommended changes. The table below indicates the code sections addressed in Section 3.

6-1.04 - License subject to other regulation and fees.

6-1.09 - Separate license for each place or type of business.

6-1.17 - Payment: Due date.

6-1.18 - Penalties.

6-1.21 - Exemption: Limited income.

6-1.22 - No license transferable: Amended license for changed location or owner.

6-1.27 - Appeals.

6-1.28 - Rules and regulations.

Business License Tax Analysis and Ordinance Review

Project Overview

The Town of San Anselmo has contracted with the HdL Companies to analyze the current ordinances and tax structures as they relate to business tax and make certain recommendations and changes to accomplish specific goals of the review.

HdL has compiled data from the Town, State, County, and other 3rd party sources for use in the analysis and estimates contained within the report. As the data may have come from 3rd parties, the data cannot be certified by HdL and should be treated as estimates and not actual values.

Specific Goals

The Town has identified the following key items that will be addressed in this report.

1. Review current ordinances for any items that require updating including business classifications, definitions, and overall modernization of current structure to promote fairness for local businesses.
2. Review the fee structure and explore the impact of modifying the rates to increase local funds.

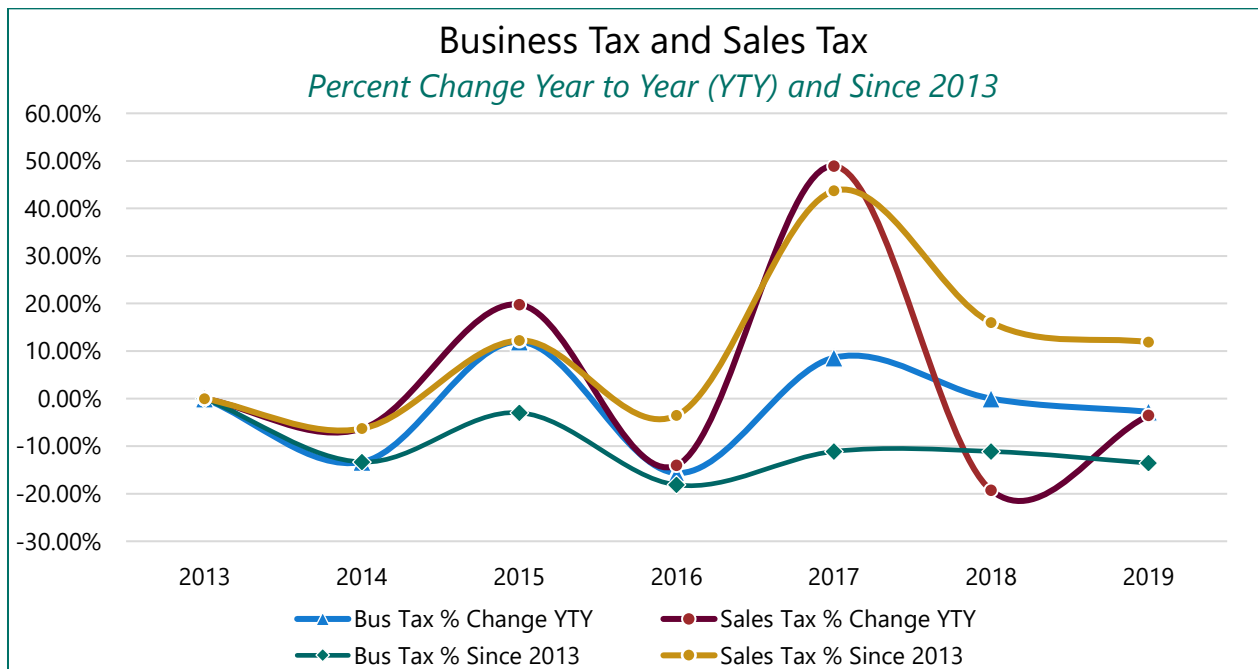
Report Sections

The report is divided into three sections designed to simplify the review process. The first section will provide background, data analysis, and other comparative information for reference and use in recommendations and impact sections. The second section will cover the review of the current ordinance and identify potential changes that may facilitate the Town's stated goals as well as enhance operations for the Town. The final section will cover proposed rate modifications and the potential impact of those changes. Additional items requested by the Town, and information or recommendations not covered elsewhere in the report, can be found in the additional information section at the end of this report.

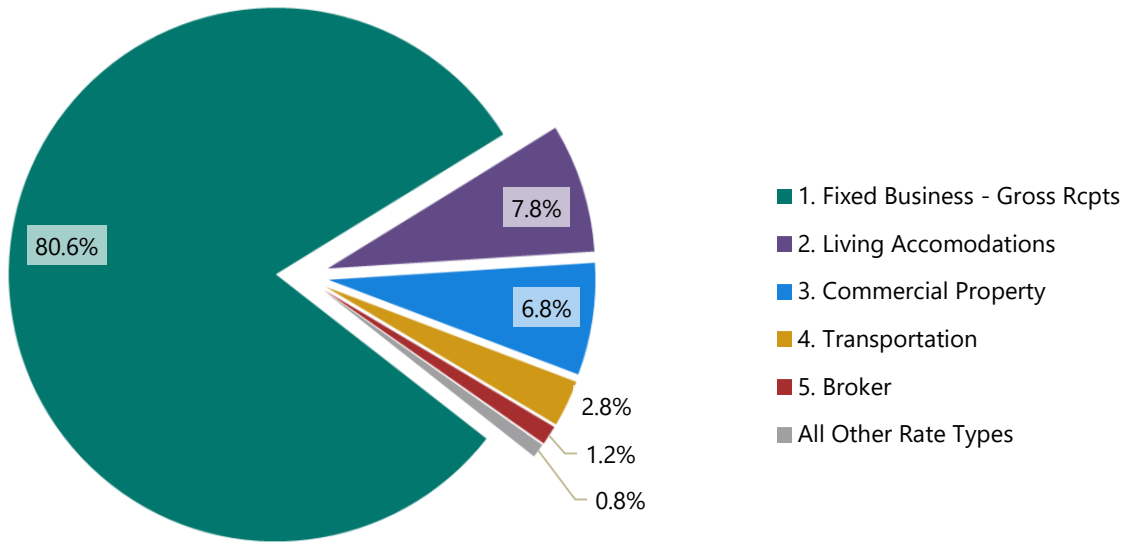
SECTION 1 – Town of San Anselmo & Comparative Jurisdictions

Town of San Anselmo Business Tax Analysis

The business tax has been authorized and is administered in accordance with Title 6 of the Town of San Anselmo Municipal code. The last time the ordinance was updated or modified was in or around 1978. The Town currently issues approximately 1,700 business licenses annually and over the last five years generates on average \$215,000 in business license tax revenues per year.



Top 5 Business License Tax Revenue *Generators by Rate Type**



**Chart based on 2018 business license data.*

Town of San Anselmo: Business Tax Rate Schedule Summary (Active Licenses)

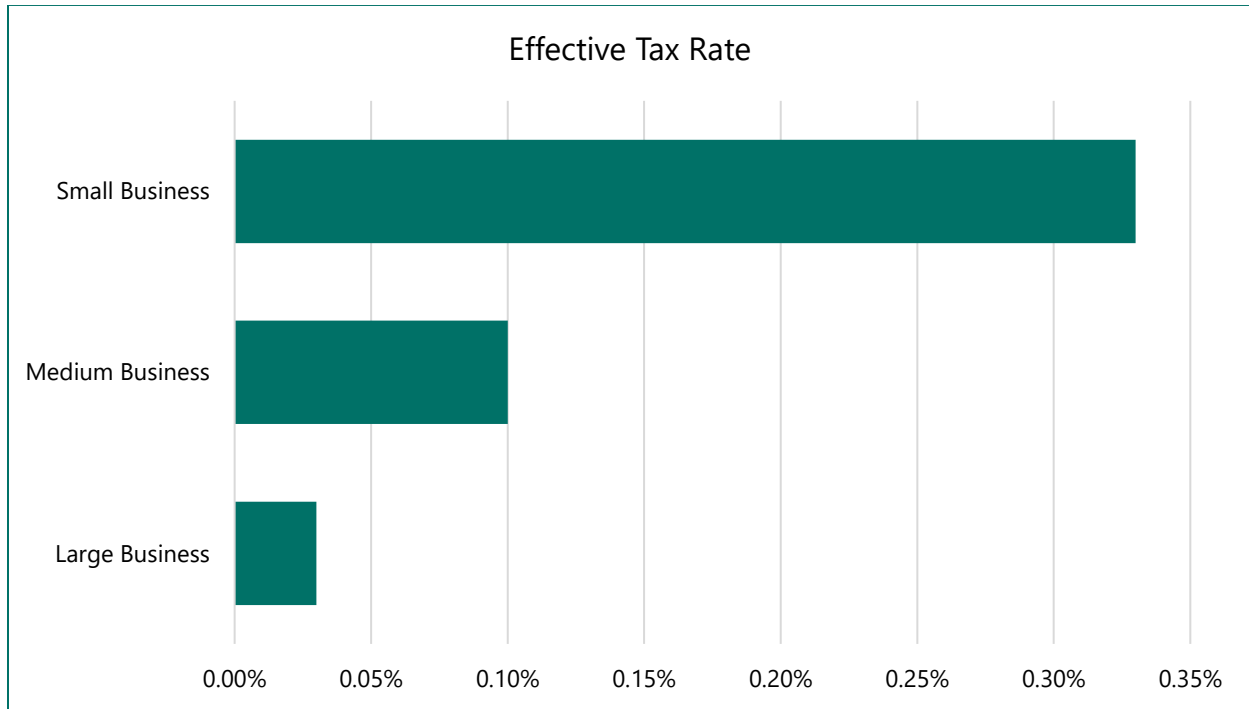
Classification	Rate Type	Tax Rate	Fee	Nbr of Accounts	Approx. Annual
Persons with Fixed Place of Business in the Town	Gross	\$0 – \$7,500	\$15	904	\$191K
		\$7,501 – \$15,000	\$30		
		\$15,001 – \$25,000	\$45		
		\$25,001 – \$50,000	\$60		
		\$50,001 – \$100,000	\$100		
		\$100,001 – \$250,000	\$150		
		\$250,001 – \$500,000	\$300		
		\$500,001 – \$750,000	\$450		
		\$750,001 – \$1,000,000	\$600		
		\$1,000,001 – \$2,000,000	\$800		
		\$2,000,001 – \$3,000,000	\$1,200		
		\$3,000,001 – \$4,000,000	\$1,500		
		\$4,000,001 – \$5,000,000	\$2,100		
		\$5,000,001 – \$10,000,000	\$3,000		
\$10,000,001 – \$25,000,000	\$4,500				
\$25,000,000 – and over	\$4,500 +1%				
License Tax – Flat Rate – Persons Employed at Location Town Property	Flat	1 – 3 Employees	\$100	654	\$54.4K
		4 – 6 Employees	\$200		
		7 – 9 Employees	\$300		
		10 Employees and over	\$400		
License Tax – Flat Rate – Person Employed at Location on Private Property in Town	Flat	1 – 3 Employees	\$50	654	\$54.4K
		4 – 6 Employees	\$100		
		7 – 9 Employees	\$150		
		10 Employees and over	\$200		
License Tax – Persons without fixed place of business in the Town	Per Vehicle	Not exceeding ½ ton	\$22.50	39	\$6.4K
		Over ½ ton to 1 ton	\$37.50		
		Over 1 ton to 1 ½ ton	\$75		
		Over 1 ½ ton to 2 ton	\$112.50		
		Over 2 ton to 3 ton	\$150		
		Over 3 ton	\$225		

Town San Anselmo: Business Tax - Average Effective Tax Rates

Overview

The Town measures the business tax primarily on number of employees or number of units. As with many tax structures that use employees and units, the current method of taxation creates a regressive tax rate. This means the effective tax rate on a business decreases as the size of a business increases. As a result, certain businesses pay several hundred times the effective tax rate of other businesses. Even those within the same industry can see a variance of nearly 10 times a similar business.

The chart below uses small, medium, and large business comparisons based on the current tax structure range. Gross receipts were estimated when not available, to calculate the effective tax rates.



Neighboring Jurisdictions Comparison

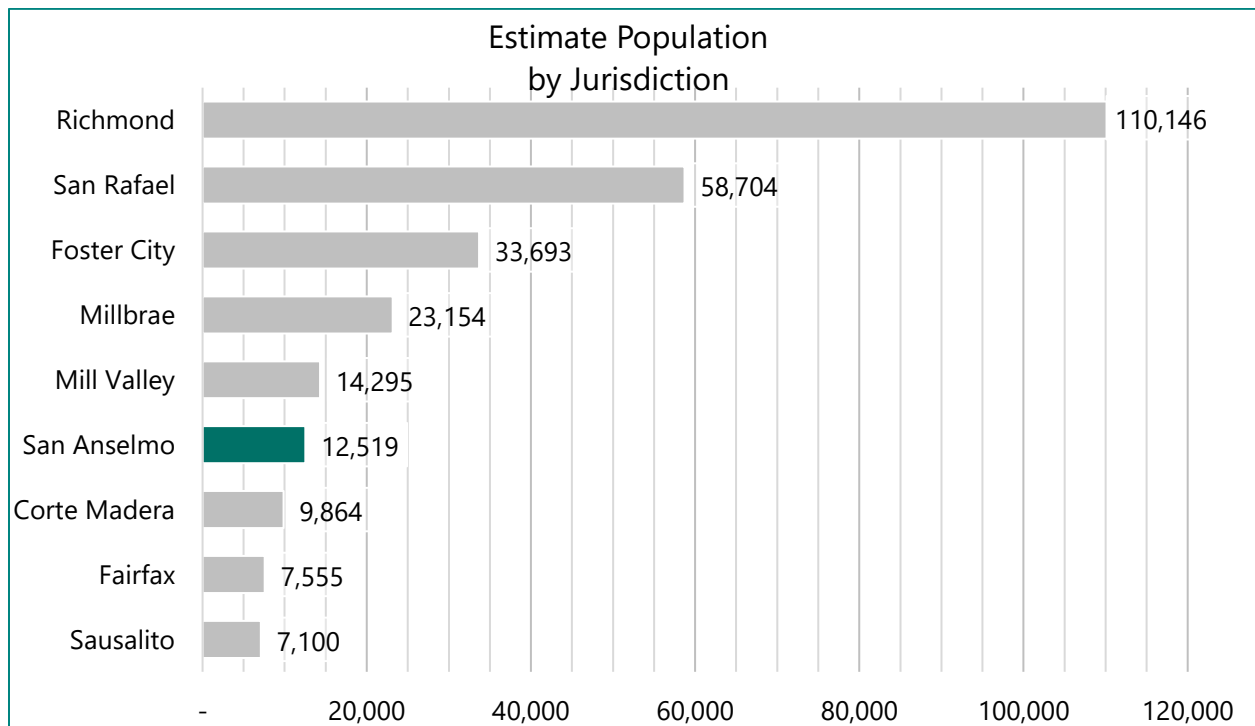
Neighboring Jurisdiction Summary Table*

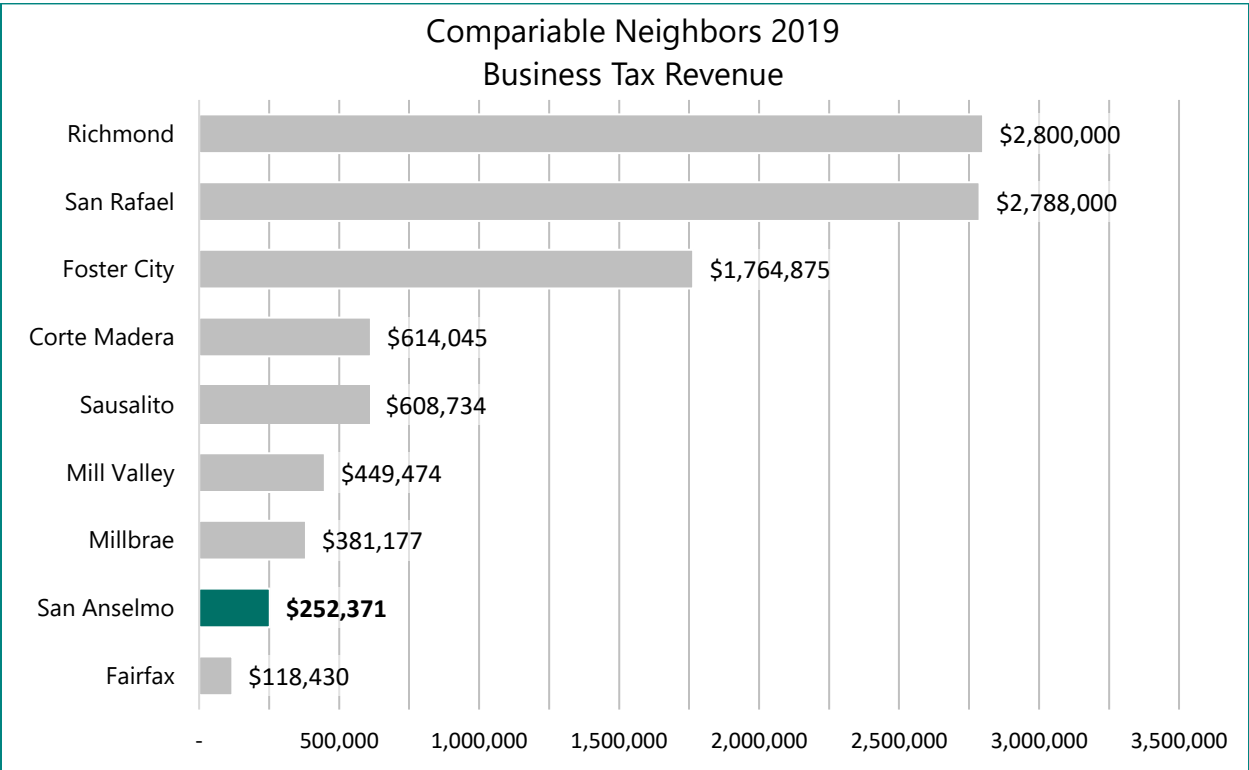
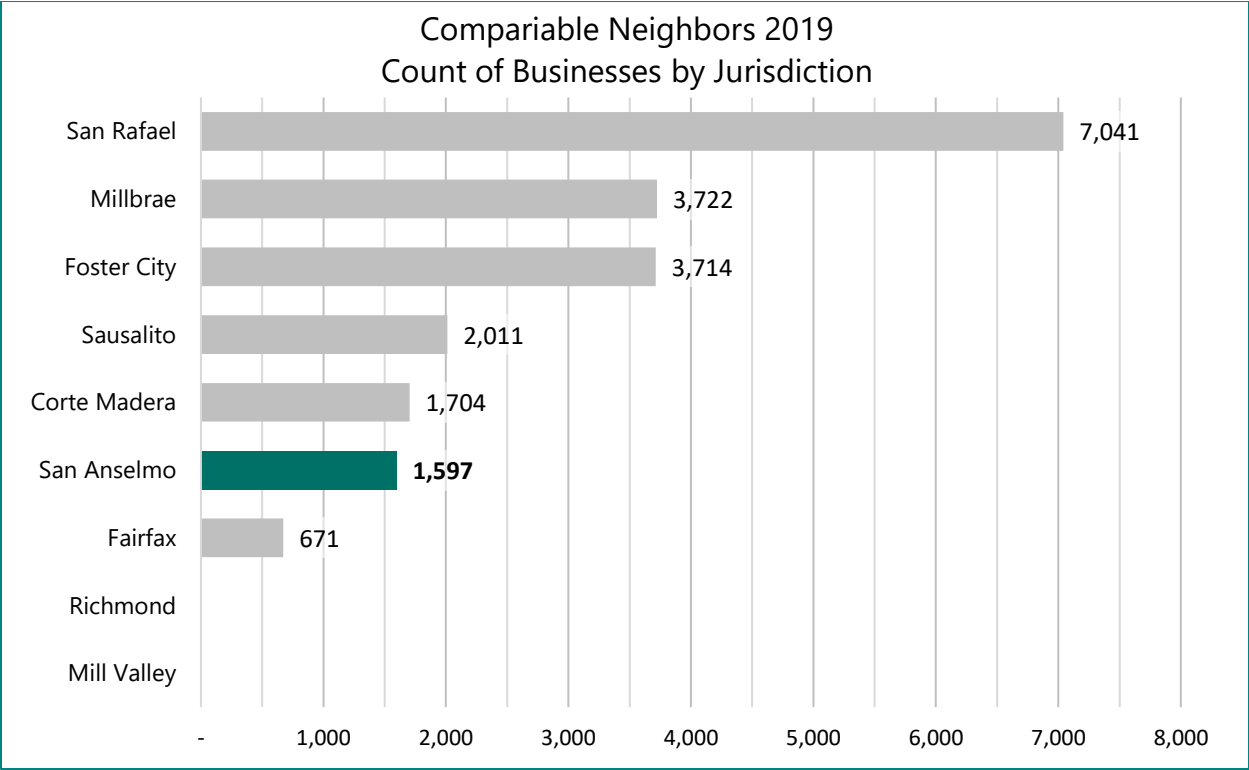
City Name	Population	Businesses	Tax Type	Min. Tax	Est. Revenue	Last Ord. Revision
San Anselmo	12,519	1,597	Flat Based on Gross Receipts	\$15	\$252,371	1993
Corte Madera	9,864	1,704	Flat	\$35	\$614,045	1978
Fairfax	7,555	671	Flat + Employees + Gross Receipts	\$100	\$118,430	1983
Foster City	33,693	3,714	Gross Receipts	\$100	\$1,764,875	2013
Mill Valley	14,295	-	Flat Based on Gross Receipts	\$15	\$449,474	1977
Millbrae	23,154	3,722	Flat + Employees + Gross Receipts	\$27	\$381,177	2004
Richmond	110,146	-	Employee	\$238	\$2,800,000	2018
San Rafael	58,704	7,041	Base + Gross Receipts	\$40	\$2,788,000	2014
Sausalito**	7,100	2,011	Gross Receipts	\$125	\$608,734	2018

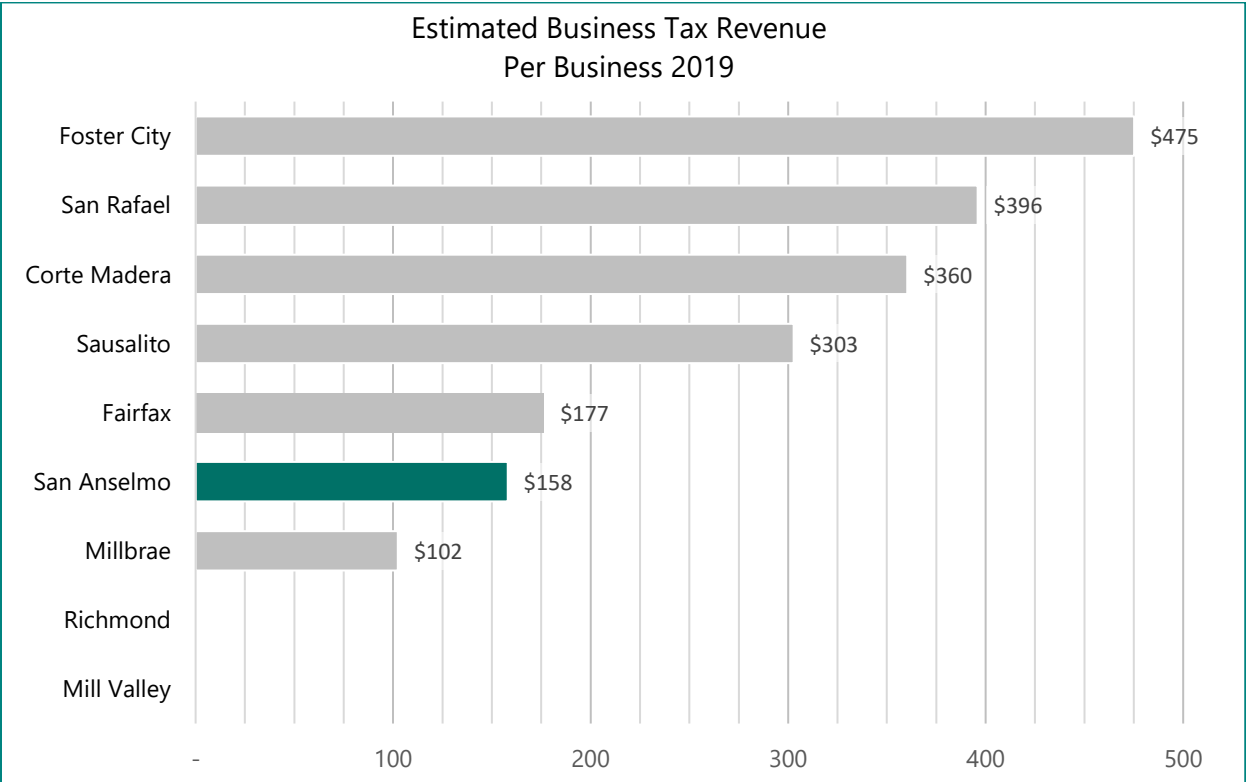
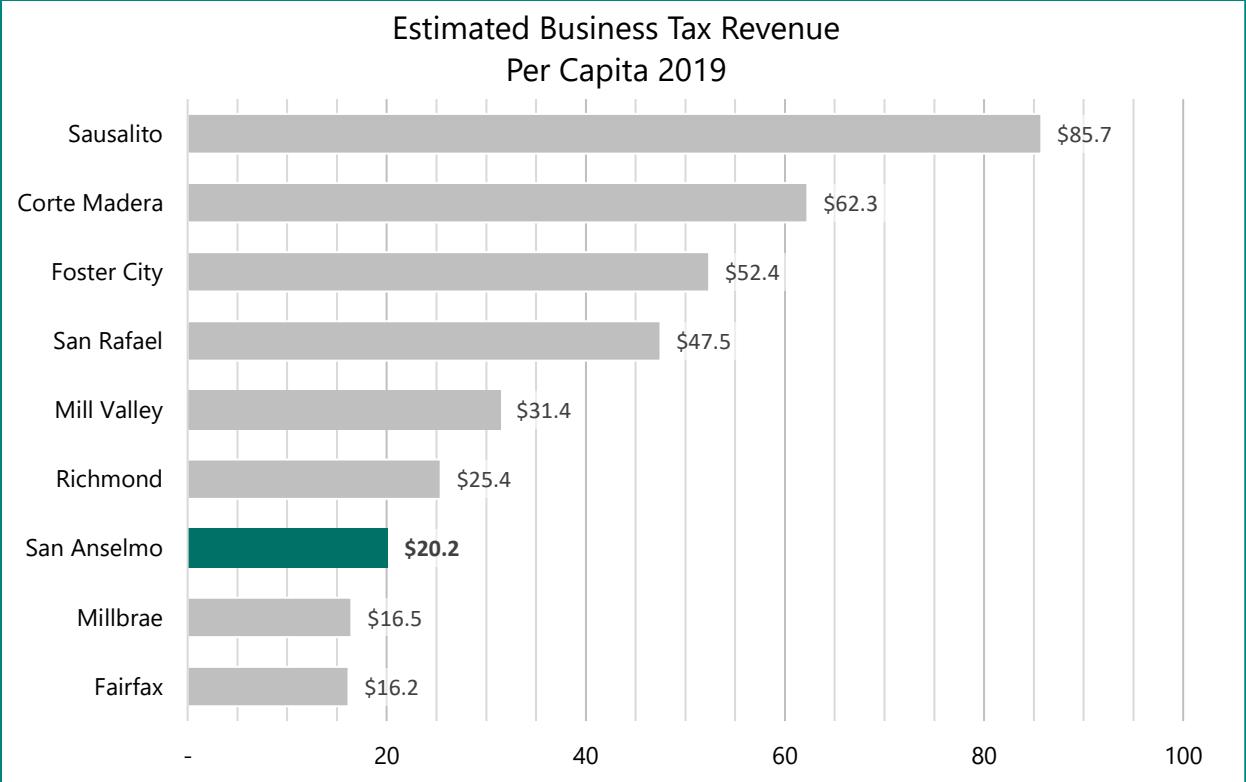
*The information in the above table is based on 2019 fiscal year data.

**Sausalito FY 19-20 Business Tax revenue is \$1.5 million due to the 2018 ordinance change.

Similar and Surrounding Jurisdictions







Neighboring Jurisdictions Comparison Details

The Comparison Details for the neighboring jurisdiction can all be found on the following pages. The list below provides the name of each jurisdiction and the corresponding page number.

1) Corte Madera, CA	Starting page	37
2) Fairfax, CA	Starting page	40
3) Foster City, CA	Starting page	42
4) Mill Valley, CA	Starting page	44
5) Millbrae, CA	Starting page	47
6) Richmond, CA	Starting page	50
7) San Rafael, CA	Starting page	52
8) Sausalito, CA	Starting page	56

SECTION 2 – Category & Fee Analysis

The Town has requested that HdL conduct an analysis of the current fee structures as they relate to business license and explore options for modifying the rates and categories. In Section 1, HdL prepared summaries of each classification and to the extent data was available, provided a breakout of the number of businesses and their contribution to the local funding for essential Town services.

In this section HdL has provided options for modifying the rate scale and the classifications. Using the data compiled in section 1 of this report on current license revenues, models were developed to estimate potential fiscal impacts to the Town as well as how those changes may have an effect on the business community.

License Classification and Rate Types

The Town currently has a number of “classifications” that spans across multiple categories. This structure assigns a specific fee to each type of business, listing many different types of businesses and their corresponding fees. While numerous categories are outlined in the code, the basic fee structures are closely aligned. For the purpose of the analyzing and comparing the options in this section, HdL has compiled the various rate structures into a smaller grouping of categories. The two primary categories are indicated below.

Category 1 – Grouping by General Type of Business

Category 1 groups the businesses by similar type of activity. In consolidating the types of business, HdL is able to reduce the categories substantially down from the many categories in the existing scale. The table below reflects an example of how the categories could be consolidated and streamlined, eliminating many unnecessary rate types. Total revenues and the breakout of fees have been estimated, while ignoring smaller categories not predominant in the Town.

Grouping	Total Revenue	Average Fee	Minimum	Maximum
Contractor	\$15,500	\$100	\$30	\$200
General Business	\$191,850	\$180	\$15	\$4,700
Residential Rental	\$17,000	\$78	\$14	\$1,190
Commercial Rental	\$16,000	\$167	\$50	\$1,700
Transportation	\$6,500	\$158	\$22	\$900

Category 2– Grouping by Fee Amount

HdL has grouped the businesses categories by the fee charged for each type of business. The grouping amount below indicates the payment made, total and average revenues, and the number of businesses contributing to the group.

Category	Record Count	Average Paid	Revenue
\$1.00 - \$50.00	721	\$24	\$17,500
\$51.00 - \$100.00	425	\$85	\$36,318
\$101.00 - \$250.00	245	\$162	\$39,614
\$251.00 - \$500.00	129	\$349	\$45,035
\$501.00 - \$1,000.00	45	\$722	\$32,678
\$1,001.00 - \$5,000.00	31	\$2,412	\$74,784
\$5,001.00 and Over	0	\$0	\$0
TOTALS >	1,596	-	\$245,929

Option 1 – Existing Categories with Simple Increases

The Town may elect to not modify the existing structure, but rather modify the fee amounts for each category. Keeping the current structure in place would eliminate the need to create different categories and allow for a much simpler implementation for the Town and the business community.

The Town could choose to adjust each category separately, increase the rates on a select group, or apply a standard rate increase across the board. An example of an across the board % increase is indicated in the following Option 1 table.

Rate Classes Unchanged (with % Fee Increase)

Fee Amount Paid	Number of Accts	Current Revenues	20% Increase	40 % Increase	60% Increase
\$1.00 - \$50.00	721	\$17,500	\$21,000	\$24,500	\$28,000
\$51.00 - \$100.00	425	\$36,318	\$43,581	\$50,845	\$58,109
\$101.00 - \$250.00	245	\$39,614	\$47,536	\$55,459	\$63,382
\$251.00 - \$500.00	129	\$45,035	\$54,020	\$63,046	\$72,056
\$501.00 - \$1,000.00	45	\$32,678	\$39,213	\$45,749	\$52,285
\$1,001.00 - \$5,000.00	31	\$74,784	\$89,740	\$104,697	\$119,654
TOTALS >	1,596	\$245,929	\$295,090	\$344,296	\$393,486

Option 1 – Highlights and Impact Review

As indicated in the Table (A) above, a simple increase in each rate type amount could keep the existing structures in place while yielding higher revenues to the Town. The Town can replace any of the sample % increases with varying degrees of increase or could elect to only apply the increases to certain categories. For example, increasing the rates on manufacturing and residential property rental by 60%, while increasing other rates by 20% or not at all.

This option provides the Town with the simplest method of increasing and the most accurate to forecast. Additionally, for those flat fee categories, the Town could add a standard CPI adjustment to those appropriate categories to ensure the rates stay current over the course of time.

Should the Town wish to see specific calculations or examples of specific category rate increases, HdL will provide the calculations and attach as an addendum to this report.

Option 2 - Replace Multiple Categories with Single Gross Receipts Tax

Taxing gross receipts is a common model for California business license and the Town of San Anselmo currently uses gross receipts as a method of taxing multiple categories in the Town. A variety of models are commonly used including a scale method, such as that currently used, or the use a standard rate multiplier to determine the tax amount owed. This model can be implemented as a standard rate applying to any business or one that can vary by business class. For example, many cities elect to charge \$1 per thousand dollars of gross receipts (0.001 x Gross) for a retail business, while charging a rate of \$2 per thousand dollars of gross receipts (0.002 x Gross) for service or professional businesses.

Because the rate method can result in \$0.00 returns or negligible amounts, most cities have a minimum tax or other method of ensuring a base fee. Another option is to create a base tax plus gross receipts rate. This allows for a minimum fee for businesses that generate gross receipts in excess of the base amount.

The “rate” method of taxing on gross receipts provides an even distribution of the effective tax rate because all businesses subjected to the tax will pay the same rate. This method also provides the simplest method of calculation due to every business using a single multiplier.

Option 2 – Background

Due to the lack of information available on current gross receipts for all San Anselmo businesses, HdL is not able to accurately predict the impact of changing the structure to a single gross receipts model. HdL was able to use averages for those businesses that were subjected to gross receipts reporting; however, direct comparisons are not available on a Town wide basis and certain information may overlap between categories. It is important to note that HdL has used multiple assumptions as outlined in the options below that should not be relied upon for actual budgeting and are meant to provide a baseline of the possible impact.

Option 2 – Data Analysis & Variables

HdL has prepared key data elements for use in estimating the gross receipts tax on businesses where information was otherwise not available. The following information was used as a basis for the tax tables and models in subsequent options below.

Rental Unit Estimates

Category	Total Accts/Units	Avg Rent / Unit /Year	Total Gross Receipts
Commercial	94	\$70,000	\$6,790,000
Residential Unit	359/1,004	\$36,000	\$36,144,000

Contractor Estimates

Category	Est Nbr of Accounts	Total Gross Receipts
In/Out Town	157	\$8,000,000

General Businesses

Basis	Est Nbr of Accounts	Total Gross Receipts
All Reporters	896	\$420,022,000
Non-Reporters	88	\$40,000,000

Combined Gross Estimates

Number of Records	Business Tax Total Taxable Gross
1,596	\$510,956,000

Option 2 – Model 1: Single Gross Receipts Rate

Model 1 reflects the potential revenues for converting the whole Town to a single rate type gross receipts model. This would eliminate the current structure of mixed gross, fixed fees and unit variables whereby each business would pay based on the gross receipts attributed within the Town.

Potential Tax Structure

Tax Basis	Tax Rate
Registration Tax	\$25 + Annual CPI
Gross Receipts Tax	\$1 per thousand dollars of Gross (0.001 x Gross)

Model 1 Estimates Table

The table below indicates the potential revenues from implementing a gross receipts tax with two options, \$1 / thousand, and \$1.50 / thousand. Information for the estimates comes from the data in the section above.

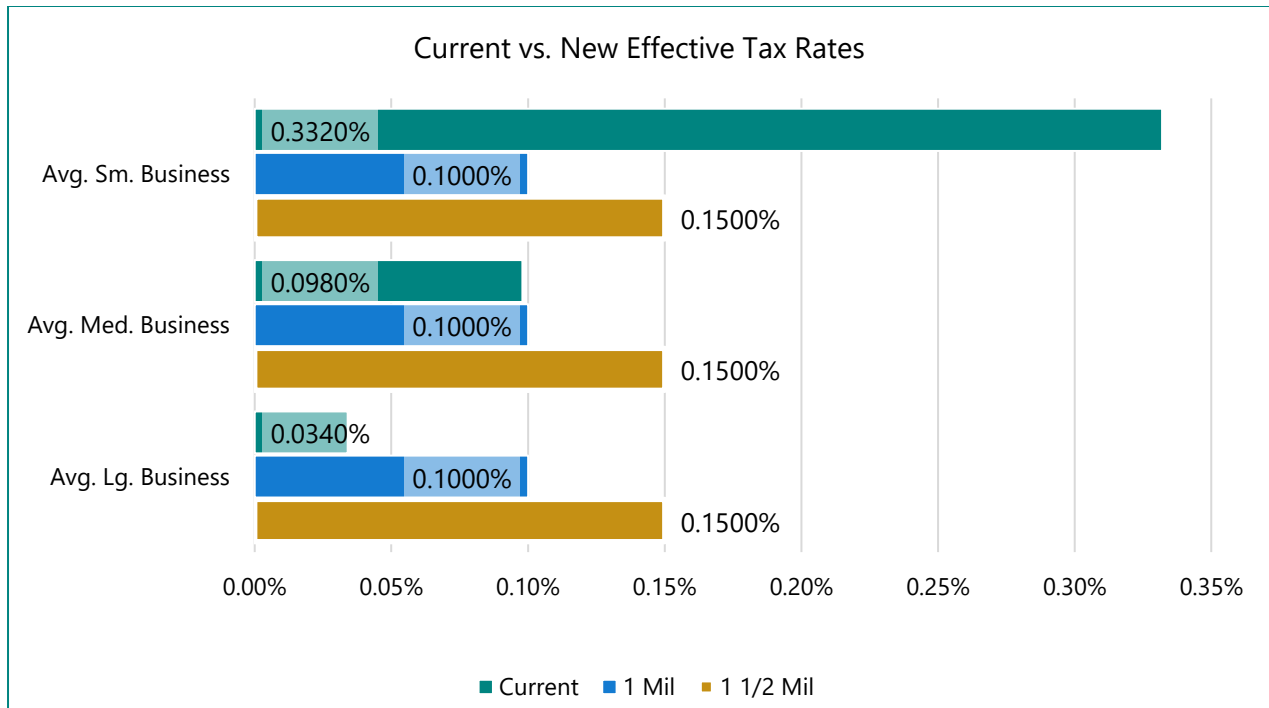
Gross Receipts	Number of Accts	Taxable Gross	Tax Amount (.001)	Tax Amount (.0015)
Registration Tax	1,596	Flat Fee	\$39,900	\$39,900
Gross Receipts Tax		\$511M	\$511,000	\$766,500
TOTALS >			\$550,900	\$806,400

Model 1– Highlights and Impact Review

The “single rate” method of taxing on gross receipts provides an even distribution of the effective tax rate because all businesses subjected to the tax will pay the same rate. This method also provides the simplest method of calculation due to every business using a single multiplier. Under this method, no cap is put in place and therefore a majority of the revenues are received from the highest grossing businesses.

Model 1 shows the most potential for expanded revenue while keeping the tax structure simple and easy to understand for businesses. Using the 1.5 Mil (.0015 rate) as our baseline, we can see that revenues are increased substantially in a filing year, while still seeing a modest increase using the 1 Mil (.001). The large increase is primarily due to moving to gross receipts, but removal of a cap is a contributing factor as well.

While the 1 Mil is a standard tax rate in CA, the Town could choose any multiplier to create a rate that matches the Town’s goals. Additionally, the base registration tax can be treated as a separate item, as above, or as a minimum tax, which would eliminate the charge and ultimately lower the taxes to the business and revenues to the Town.



Option 2 – Model 2: Gross Receipts - Classification Based Rates

Similar to the Town’s current method, Model 2 as indicated below would create varying rate multipliers for gross receipts depending on business classifications. The Town could for example, choose to implement a rate for the retail/wholesale/misc. business activities at a base rate of .0015. This recognizes higher costs of goods sold and lower profit margins for these types of business as well as their contribution to other Town revenues such as sales tax. Conversely, the Town could consider implementing a higher rate for professionals and property rental. This model affords the most flexibility for increasing revenues while accommodating certain business categories.

For this model, Commercial property rental was added into the rental unit category, allowing for the Town to capture the rental income from all property rental, not just the residential properties that are currently taxed under the existing structure.

Potential Tax Structure

Tax Rate	Categories	Tax Rate
Registration Tax	General / Retail	\$25 Flat
Gross Receipts Tax	General / Retail	0.0015 X Gross
Registration Tax	Property Rentals	\$25 Flat
Gross Receipts Tax	Property Rentals	0.003 X Gross
Registration Tax	Contractors	\$25 Flat
Gross Receipts Tax	Contractors	0.002 X Gross

Estimates Table

Using the varying structures above, the table below indicates potential revenues from one possible classification model based on the existing business data.

Gross Receipts	Number of Accts	Taxable Gross Receipts	Tax Rate	Tax Amount
General / Retail				
Registration Tax	986		\$25	\$24,650
Gross Receipts Tax		\$460M	\$1.5 Mil	\$690,033
Rental Units (Com & Res)				
Registration Tax	453		\$25	\$11,325
Gross Receipts Tax		\$43M	\$3 Mil	\$128,802
Contractors				
Registration Tax	157		\$25	\$3,925
Gross Receipts Tax		\$8M	\$2 Mil	\$16,000
TOTALS>				\$874,735

Model 2 – Highlights and Impact Review

This option has the benefit of spreading the burden of an increase across multiple business types. The Town has the option of modifying the rates and reassigning business types to different categories. The model above includes basic rate increases for standard categories but can be further expanded or contracted to accommodate a different method of the Town's choosing.

For example, General / Retail rate includes Professional and Services that have a much higher profit margin than Wholesale, and Manufacturing. If the Town choose, it could create category for Professional and Services at base rate of .002 per gross receipts bringing the business tax revenue closer to \$1 million. Additionally, the Town could choose for Retail businesses to pay at .001 of gross as they contribution to Sale Tax. HdL was unable to accurately model this information due the simplicity of the Town's data, but HdL believe this is the best model for assigning rates based on business activity.

Additional Models

The Town has various options should it elect to move forward with a gross receipts based tax. For example, a model could be designed to keep certain fixed fee structures in place while moving certain categories over to a simplified gross receipts tax. In this method Rentals could be left under their current model while all other businesses are lumped in as gross receipts-based model, or vice versa.

The Town could also elect to implement a scale model using expanding ranges, implementing caps, or by additional rates and classifications. Removing the registration tax and including a minimum range could also simplify the process and equalize the tax.

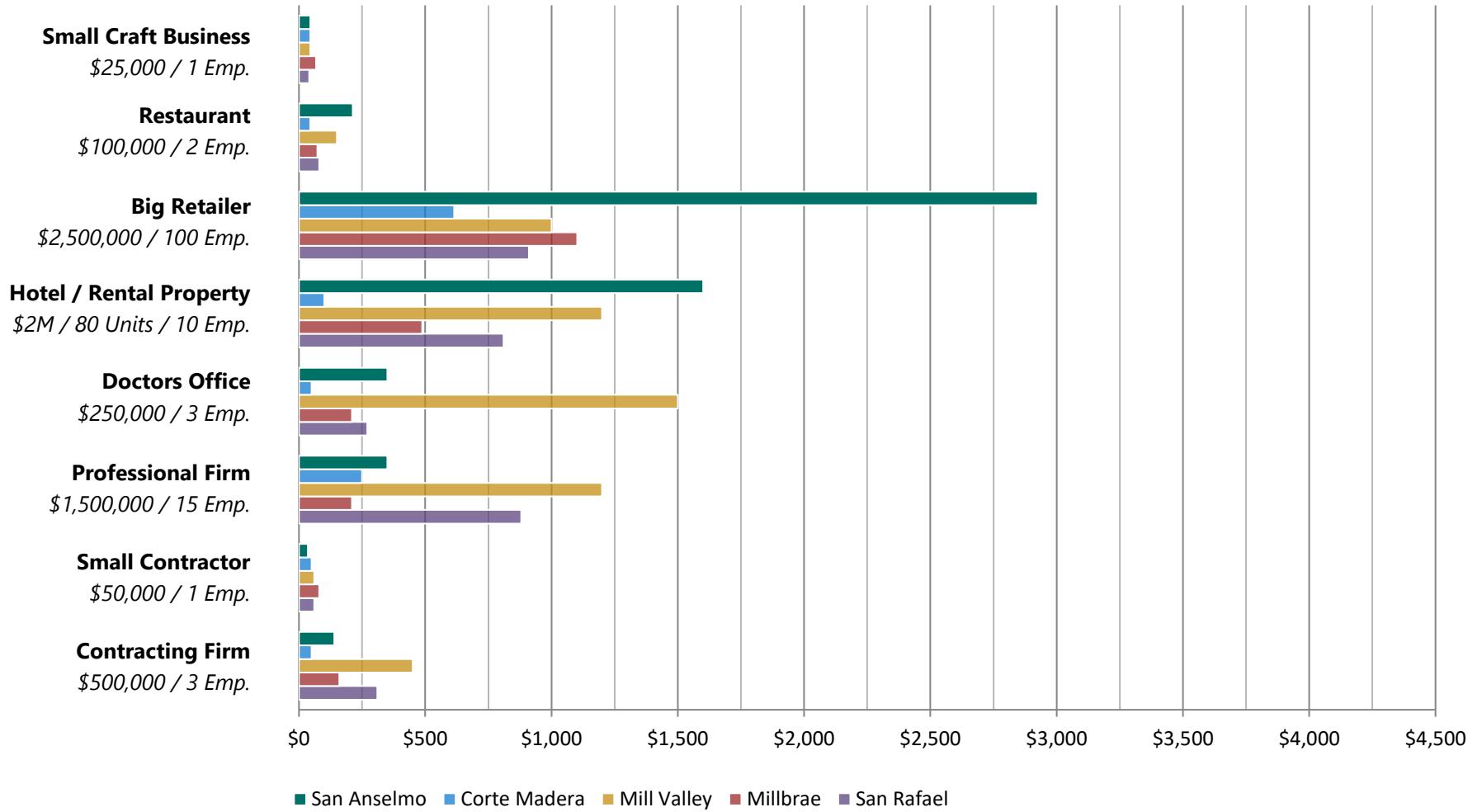
Town of San Anselmo vs. Neighboring Jurisdictions

Current Rate Comparison Table

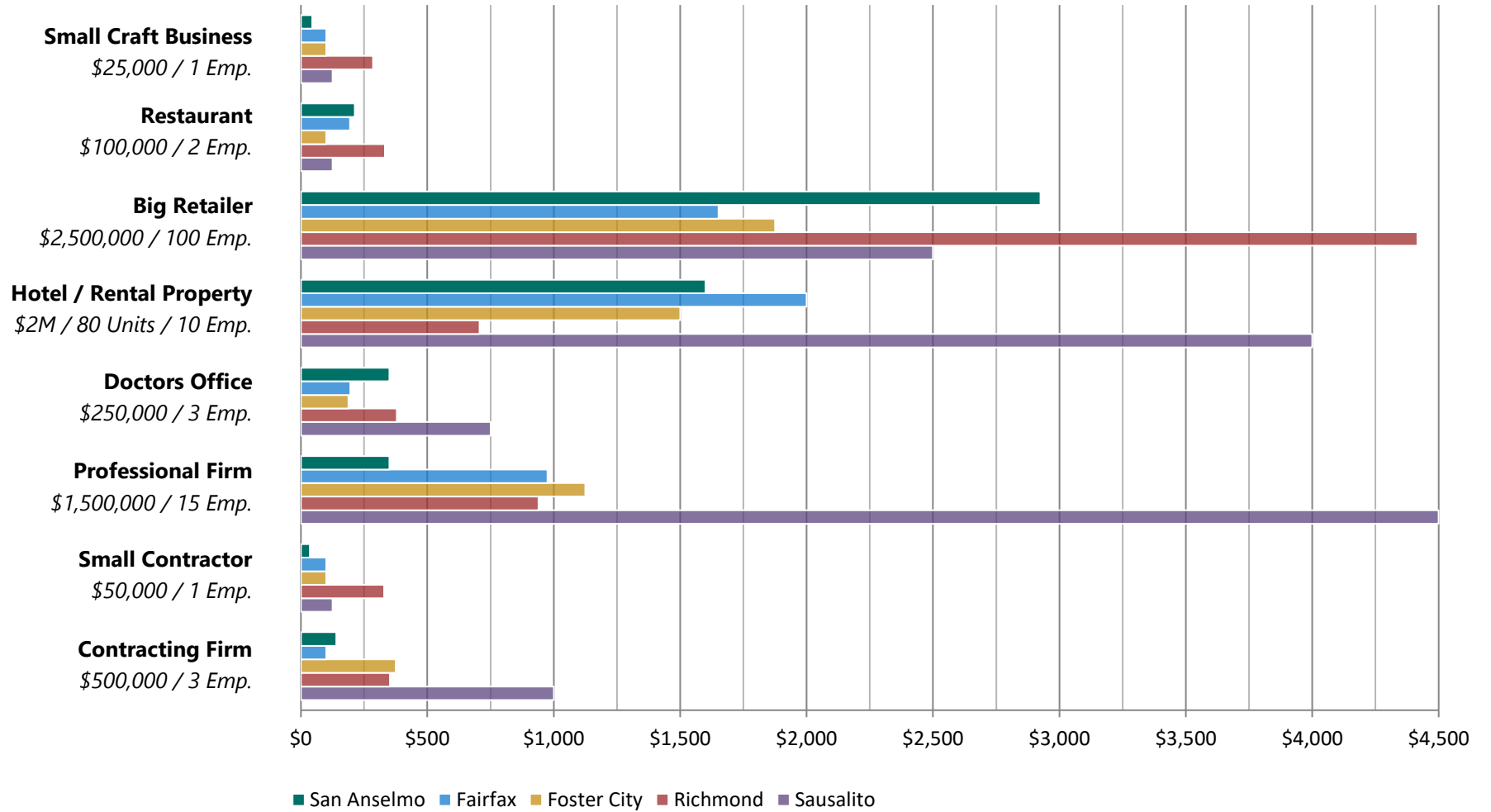
Sample Business / Current Rates	San Anselmo	Corte Madera	Fairfax	Foster City	Mill Valley	Millbrae	Richmond	San Rafael	Sausalito*
Small Craft Business \$25,000 / 1 Emp.	\$45	\$45	\$100	\$100	\$45	\$68	\$285	\$40	\$125
Restaurant \$100,000 / 2 Emp.	\$213	\$45	\$194	\$100	\$150	\$73	\$332	\$80	\$125
Big Retailer \$2,500,000 / 100 Emp.	\$2,925	\$615	\$1,652	\$1,875	\$1,000	\$1,102	\$4,416	\$910	\$2,500
Hotel / Rental Property \$2M / 80 Units / 10 Emp.	\$1,600	\$100	\$2,000	\$1,500	\$1,200	\$488	\$706	\$810	\$4,000
Doctors Office \$250,000 / 3 Emp.	\$350	\$50	\$195	\$187.50	\$1,500	\$210	\$379	\$270	\$750
Professional Firm \$1,500,000 / 15 Emp.	\$350	\$250	\$975	\$1,125	\$1,200	\$210	\$940	\$880	\$4,500
Small Contractor \$50,000 / 1 Emp.	\$35	\$50	\$100	\$100	\$60	\$80	\$329	\$60	\$125
Contracting Firm \$500,000 / 3 Emp.	\$140	\$50	\$100	\$375	\$450	\$160	\$352	\$310	\$1,000
Totals >	\$252,371	\$614,045	\$118,430	\$1,764,875	\$449,474	\$381,177	\$2,800,000	\$2,788,000	\$608,734*

*Sausalito FY 19-20 Business Tax revenue is \$1.5 million due to the 2018 ordinance change.

Current Rate Comparison Chart 1



Current Rate Comparison Chart 2



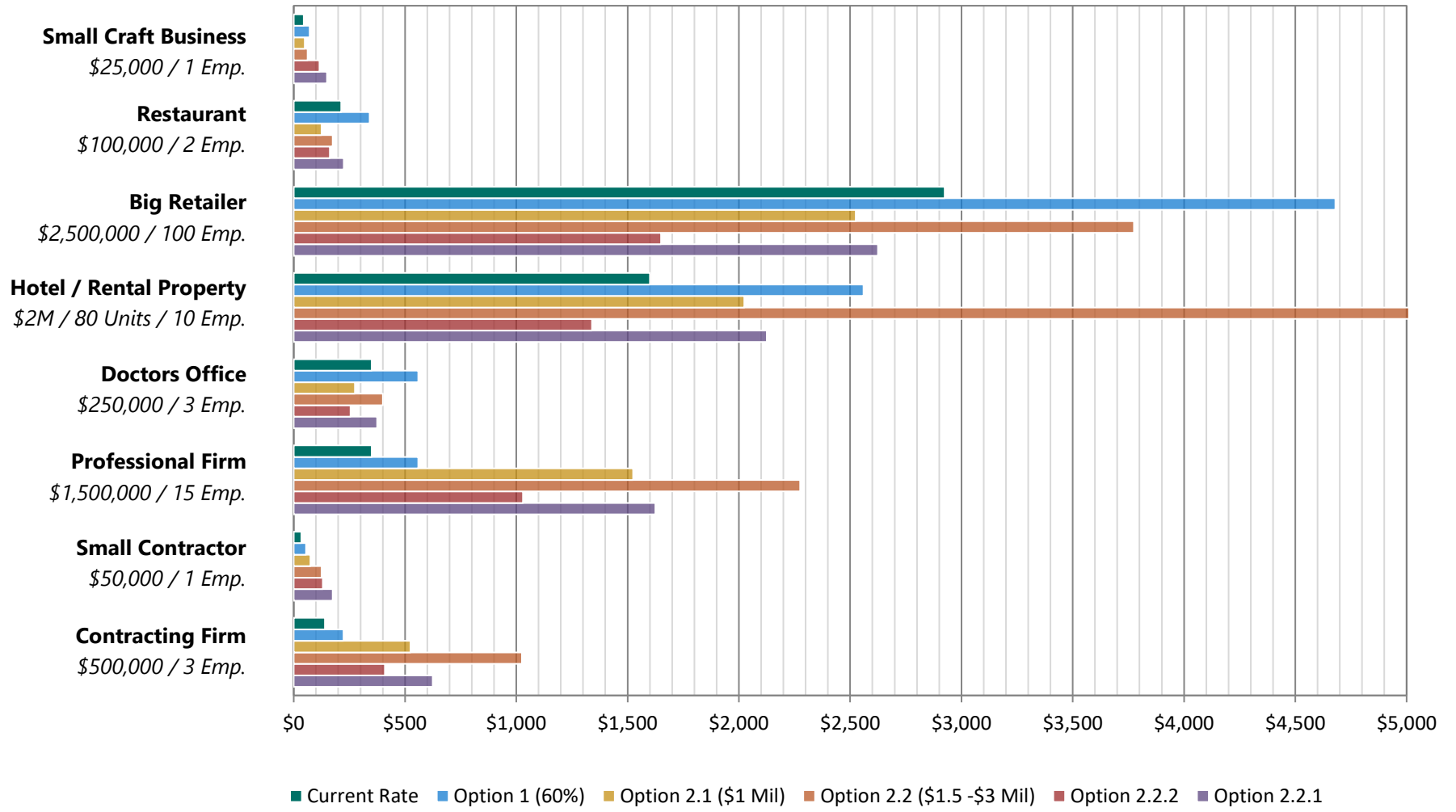
Proposed Rates Comparison

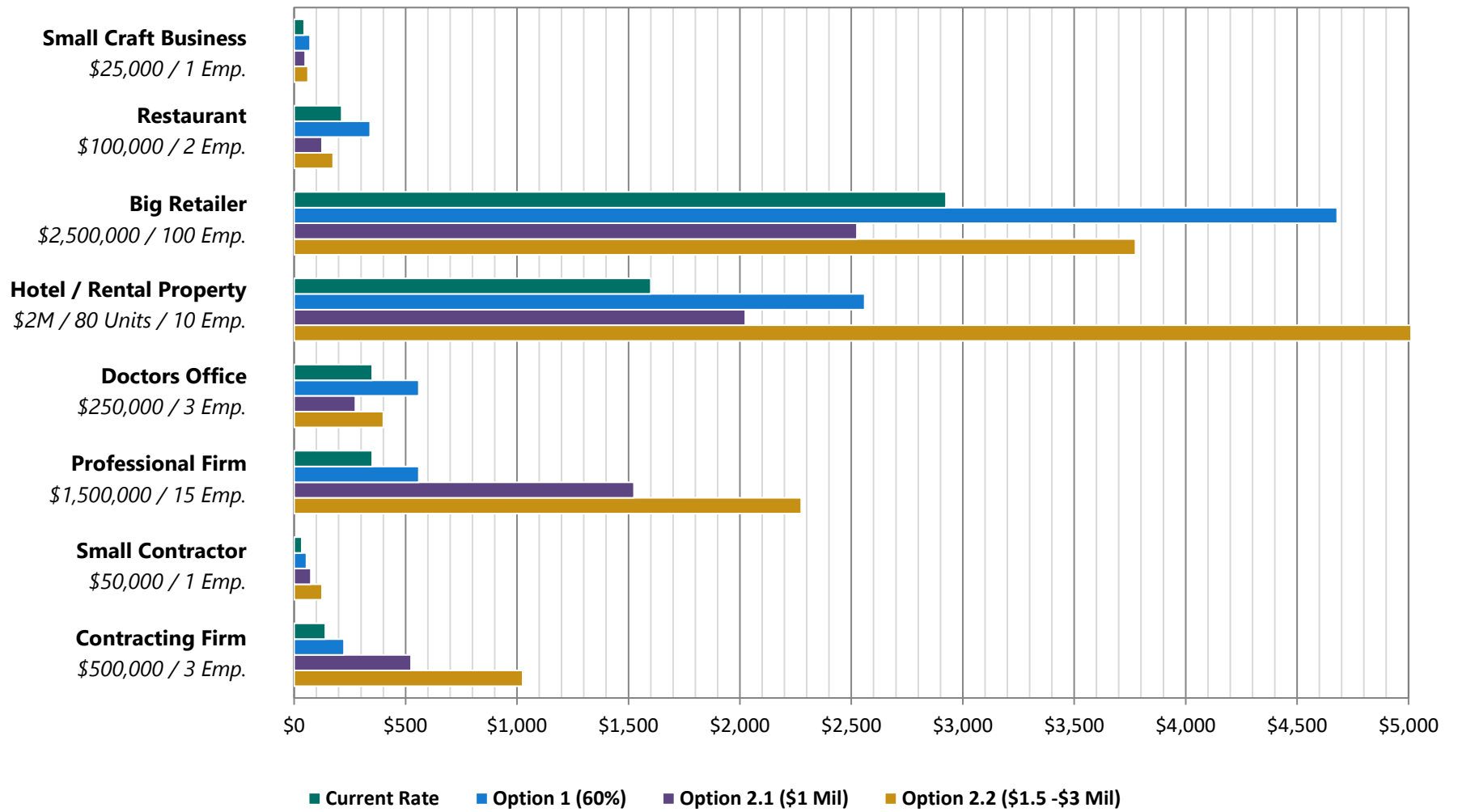
Proposed Rate Comparison Table

Sample Business / Current Rates	San Anselmo Current Rates	San Anselmo Option 1: Model 1 (60%)	San Anselmo Option 2: Model 1 \$1 / Thousand	San Anselmo Option 2: Model 2 \$1.50 - \$3 / Thousand	San Anselmo Option 2: Model 2.1* \$100 Base \$0.62 / Thousand	San Anselmo Option 2: Model 2.2* \$125 Base \$1 / Thousand
Small Craft Business \$25,000 / 1 Emp.	\$45	\$72	\$50	\$63	\$116	\$150
Restaurant \$100,000 / 2 Emp.	\$213	\$341	\$125	\$175	\$162	\$225
Big Retailer \$2,500,000 / 100 Emp.	\$2,925	\$4,680	\$2,525	\$3,775	\$1,650	\$2,625
Hotel / Rental Property \$2M / 80 Units / 10 Emp.	\$1,600	\$2,560	\$2,025	\$6,025	\$1,340	\$2,125
Doctors Office \$250,000 / 3 Emp.	\$350	\$560	\$275	\$400	\$255	\$375
Professional Firm \$1,500,000 / 15 Emp.	\$350	\$560	\$1,525	\$2,275	\$1,030	\$1,625
Small Contractor \$50,000 / 1 Emp.	\$35	\$56	\$75	\$125	\$131	\$175
Contracting Firm \$500,000 / 3 Emp.	\$140	\$224	\$525	\$1,025	\$410	\$625
Totals >	\$252,371	\$393,486	\$550,900	\$874,735	\$476,393	\$710,456

*For more details on Option 2 – Model 2.1 and Option 2 – Model 2.2, please see [page 57](#).

Proposed Rate Comparison Chart





SECTION 3 – Ordinance Modification Options

General Review

Town business tax ordinances typically fall into either a regulatory or revenue generating category, meaning simply that the ordinance is either intended solely to raise revenues or to regulate the activities of businesses conducted within the jurisdiction. The Town of San Anslemo's ordinance has a declaration of the purpose of revenue however, as discussed later in this document, can in many instances apply regulatory provisions.

During the review, HdL analyzed key sections of the ordinance and have identified the following areas that may require additional review or action. This preliminary review is based on existing code and rate structures, and should the Town elect to make significant modifications, additional review may be required and ultimately the Town may be better served with an entire rewrite.

The information and recommendations provided in this report are based on the experience of HdL providing business tax services to California jurisdictions and is not intended as legal advice.

6-1.04 - License subject to other regulation and fees.

"(a) Persons required to pay a license tax for transacting or carrying on any business under this chapter shall not be relieved from the payment of any fees for the privilege of carrying on any similar or related activity required under any other ordinance of the Town and shall remain subject to the regulatory provisions of other ordinances.

(b) No person shall be entitled to a business license, and the collector shall not issue a business license to any person commencing business, unless and until said person shall have complied with all applicable Town ordinances.

(c) No license shall be issued covering any food or drink dispensing establishment or restaurant, until the applicant has obtained clearance from the Marin County Department of Public Health."

Overview

This section clearly establishes that the business license does not relieve businesses from their obligation to comply with other town ordinances. It then however, begins to limit who can receive a business license by prohibiting issuance should those and other government agencies requirements not be met.

Recommendation

The Town should consider eliminating sections (b) and (c) as they create a regulatory requirement and are in conflict with the immediately prior section that states the ordinance is not regulatory. In general, the Town should not conflate business tax with other regulatory requirements, especially those of other government agencies such as sub section (c).

6-1.09 - Separate license for each place or type of business.

"A separate license must be obtained for each branch establishment or location of the business transacted and carried on and for each separate type of business at the same location and each license shall authorize the licensee to transact and carry on only the business licensed thereby at the location or in the manner designed in such license; provided that warehouses and distributing plants used in connection with and incidental to a business licensed under the provisions of this chapter shall not be deemed to be separated places of business or branch establishments; and provided further that any person conducting two (2) or more types of business at the same location and under the same management, or at different locations, but which businesses use a single set or integrated set of books and records may, at the licensee's option, pay only one tax calculated on all gross receipts of the businesses under the schedule that applies to the type of business of such person which requires the highest payment on such gross receipts, except that a license fee of Five and no/100ths (\$5.00) Dollars for each additional branch, location, or type of business shall be paid upon issuance."

Overview

This section requires separate licenses for each type of business and each location that those businesses are conducted. Additionally, it provides for exceptions to the multi license requirement.

Recommendation

The Town should consider eliminating the option for businesses to obtain only one license if they choose. This creates an administrative burden on the Town and complicates compliance and enforcement.

6-1.17 - Payment: Due date.

"Unless otherwise specifically provided, the following shall apply:

- (a) An annual license tax under the provisions of this chapter shall be due on January 1st and payable in advance by the fifteenth day of April each year. If the fifteenth day of April falls on a Saturday or Sunday, the due date shall be the first business day after the fifteenth;*
- (b) A license tax covering a new operation commencing on January 1st to March 31st shall pay the entire business tax; from April 1st to June 30th shall pay seventy-five (75%) percent of the license tax; from July 1st to September 30th shall pay fifty (50%) percent of the license tax, and from October 1st to December 31st shall pay twenty-five (25%) percent of the license tax;*
- (c) A flat rate license tax shall be payable in advance of the business activity; and*
- (d) The collector is not required to send a renewal, delinquency or other notice or bill to any person subject to the provisions of this chapter; and failure to send such notice or bill shall not affect the validity of any license tax or penalty due under the provisions of this chapter."*

Overview

The section establishes due dates, proration, and other items related to when the tax is due. It also clearly establishes the burden of filing is that of the business, and not that of the Town.

Recommendation

The Town may consider changing the structure and some of the intent of this entire section. Some of the sections are not clear, and it may be of value to keep the due dates separate from proration and other unrelated issues. Specifically, recommendations for the specific subsections are as follows:

The Town could consider shortening the due date for all taxes. Most California government entities provide a 30-day window for filing of business taxes. The extended timing is typically unnecessary and, in some ways, can be more of a burden than a benefit to the business community.

This section appears to provide proration, however it provides proration to all categories, even though the gross receipts category would already be prorated, effectively having the town provide a double credit. This section should be separated and set to apply only to flat rate licenses. It also needs to specifically set a due date for new businesses, which it currently appears not to and instead addresses it in the penalty section.

This section could be eliminated and addressed if the options in subsection b are implemented.

6-1.18 - Penalties.

"(a) For failure to pay an annual license tax when due, the collector shall add a penalty of ten (10%) percent of said license tax on the sixteenth (16th) day of April following the due date thereof, or the first business day after the fifteenth (15th) of April if the fifteenth (15th) of April falls on a Friday or Saturday, and ten (10%) percent on the first day of each month thereafter while the fee remains unpaid; provided that the amount of such penalty to be added shall in no event exceed fifty (50%) percent of the amount of the license tax due;

(b) Any flat rate license tax which has not been paid by 4:30 p.m. on the day due shall have added to the amount thereof a penalty of twenty-five (25%) percent;

(c) If any person has failed to apply for and secure a valid license to operate a business, the business license tax due shall be that amount due and payable from the first date on which the person was engaged in business in the Town together with applicable penalties;

(d) Where an audit or inspection of the books or records of a business reveals that the amount of license tax paid for any license tax period is less than the amount which was actually due pursuant to this chapter, it shall be deemed for the purposes of this section that, to the extent of such deficiency, there was a failure to pay a license tax when due. Penalties as provided in this section shall be assessed from the date when said deficiency was required to be paid pursuant to this chapter;

(e) Should court action be required to collect any license tax or penalties, the defendant shall be liable for cost of suit, including attorney's fees. The penalties shall be added to the license tax and the same shall become due and payable and collected along the delinquent license tax; and

(f) Any person who violates any of the provisions of this chapter or knowingly or intentionally misrepresents to any officer or employee of the Town any material fact in procuring a license provided for in this chapter shall be deemed guilty of a misdemeanor or an infraction and, upon conviction thereof, shall be punishable in accordance with the law."

Overview

This section creates a variety of penalties for failing to pay or register. These penalties are unique to each situation and vary in how they are applied. This section also establishes a due date for new businesses.

Recommendation

The town should consider simplifying the section to a consolidated penalty format. This would make the penalty easier to understand and administer. If there are clear due dates established in the prior section, this language can be changed to one simple penalty for failure to pay by the due date. In its current state, there is possible confusion and potential conflict that on its face is contrary to the intent.

6-1.21 - Exemption: Limited income.

"No business license shall be required of a person doing business and drawing social security benefits whose gross receipts do not exceed the maximum income allowed by Title 42, U.S. Code Section 403(f)(3). Minors and adults over the age of sixty-five (65) years engaged in a business with gross receipts under Two Thousand and no/100ths (\$2,000.00) Dollars per year are not required to obtain a business license."

Overview

This section provides an exception for certain persons drawing social security and those minors and adults over 65 that make less than \$2,000 per year.

Recommendation

The Town could consider modifying the initial exemption to remove the reference to the US code and simply provide a number that may be adjusted from time to time by council. Additionally, the Town could exempt the business from the tax rather than the license, thereby saving the business from the taxes, but retaining valuable information the town may need about business activity within the town.

6-1.22 - No license transferable: Amended license for changed location or owner.

"No license issued pursuant to this chapter is transferable; provided that, where a license is issued authorizing a person to carry on a business at a particular place, such license may, upon application therefor and payment of a fee of Five and no/100ths (\$5.00) Dollars, be amended to authorize the transaction of such business at some other location to which the business is or is to be moved. Change of ownership must be recorded by filing of application and payment of a Twenty and no/100ths (\$20.00) Dollar fee.

Change in the name of the business must be recorded by filing of application and payment of a Five and no/100ths (\$5.00) Dollar fee."

Overview

This section establishes fees for changes to existing licenses.

Recommendation

The Town may change this section to allow for a council established fee, allowing the Town to recoup fees as they increase. Alternatively, the town may require entire new applications from certain changes. This also applies to Section 6.1.23 Duplicate license.

6-1.27 - Appeals.

“Any person aggrieved to any decision of the collector with respect to the issuance of or refusal to issue such license may appeal to the Town Council, stating the reason(s) therefor, by filing a notice of appeal with the Town Clerk within ten (10) days of receiving notice of the collector's decision. The Council shall thereupon fix a time and place for a public hearing of such appeal. The Town Clerk shall give notice to the appellant of the time and place of hearing by serving it personally or by depositing it in the United States Post Office, postage prepaid, addressed to the appellant at his/her last known address. The Town Council shall, after hearing, determine all questions raised by the appeal.”

Overview

This section provides due process procedures for those aggrieved by any decision of the tax collector.

Recommendation

The Town may wish to modify the appeal process to allow for escalation to Town management such as the town manager or finance director. This would allow for the town an opportunity to address issues without burdening the public and council. This appeal could be final, or still escalated to council if the party wishes to proceed.

6-1.28 - Rules and regulations.

“The collector may adopt rules and regulations which are not inconsistent with the provisions of this chapter, as may be necessary or desirable to supplement or clarify such provisions or aid in their enforcement.

The rules and regulations, if adopted, shall be known as "Business License Rules and Regulations" and shall be placed in written form and numbered consecutively. A copy of the "Business License Rules and Regulations" shall be filed with the Town Clerk.”

Overview

This section allows rules and procedures to be developed by the tax collector and requires those rules be filed with the Town clerk.

Recommendation

The town should consider removing the requirement to file the rules with the clerk. This is an extremely burdensome process that will likely leave the town open to out of date and expired processes.

Code Review – Potential Additions / Misc. Items

Gross Receipts & Tax Calculation

The current ordinance has the requirement for a business to estimate gross receipts when they are a new business. However, the estimate is never addressed in future filings. The Town could consider adding a “True-Up” procedure to create a more equitable and accurate gross receipts filing. Additionally, the town may implement an annualization procedure for gross receipts, providing for the usage of a full year gross receipts in the year following initial registration.

Use of “Tax” vs “Fee”

The ordinance shifts between the usage of fee and tax throughout the code. In some cases, ordinance sections that create certain procedure become unclear as to whether they apply to fees or taxes. The Town should consider reviewing the usage of the terms and decide whether they are intended to be the same or are meant to be different.

Current Rate Classifications

Due to Town’s desire to modify the rates, as outlined in section 3, HdL did not conduct a complete analysis of the sections related to the tax rates and classifications. However, many sections, such as the retail gross receipts scale, are extremely unclear in both written form and in practice as implemented by the Town. Should the Town not implement new rate structures, attention should still be paid to the existing code sections and could explore possible changes outside the scope of revenue enhancement.

Additional Information

Ordinance Review

HdL conducted a review of the ordinance sections related to business tax. The recommended changes indicated in section 2 are technical recommendations based on the information available and direction provided by the Town. Should the Town elect to move forward with specific changes, HdL recommends the office of the Town Attorney or their designee review each proposed change and craft language that accomplishes the Town's final objectives.

Procedure / Ordinance Conflicts

HdL has identified a number of processes and procedures currently in place, that do not appear to conform to the Town tax code. Some of these are the result of unclear language that requires subjective interpretation of the code. Over time, various administrators have created policies in isolation, without considering the impact on the business community as a whole, or on how those policies might conflict with Town laws. Many of these issues would be fixed should the Town move forward with modifying the tax code, however HdL recommends addressing these items even if the Town decides not to move forward.

Based on the final direction, HdL will provide a full detailed analysis of the potential conflicts as well as recommended changes designed to align practices and procedures with the code.

Voter & Additional Approvals

Some of the changes may or may not require voter or additional approval. The Town should review each change and determine which changes can be made via powers granted to the collector or other Town staff members and which changes will require additional processes.

Additionally, the Town does have codified increase language, allowing the Town Council to make modifications to the rates. The Town should investigate if this would allow the Town to make these rate adjustments through a simple council resolution rather than a ballot measure.

General Regulatory Provisions

In general, HdL recommends that any Town Ordinance for business license where the intent is to generate revenue be limited to the scope of generating revenue. Some of the Town current ordinance provisions are designed to stop people for paying for or being issued a license. Many of these requirements can be burdensome on licensing staff and many times create review requirements that are outside the scope of their expertise.

The Town would be better served and the intent of generating revenue preserved if the requirements for things like building and safety are kept with the sections and regulatory provisions that govern those items. HdL feels additional discussion of these items is warranted to review the implications of removing those sections and others potentially affected.

Additional Support

While HdL is not able to provide specific legal advice, HdL will work with the Town's designee to assist in crafting the final changes as well as provide advice and additional analysis should the Town elect to move forward with modification of its ordinances. Should the Town wish to contract out legal services, HdL can provide references for firms that specialize in local government ordinances.

Comparative Jurisdictions

The analysis of surrounding jurisdictions was conducted to provide background of the overall structure and taxes imposed by neighboring cities. This information can be valuable and may be considered by the Town when making its final determinations to ensure that changes made to the tax structure remain competitive with other cities.

Additional Cities

HdL selected cities from surrounding jurisdictions that were similar in size or tax structure. Should the Town wish to expand the analysis to additional jurisdictions, HdL can provide further details as an addendum to this report.

Rate Structure Modification and Modernization

The primary focus of the rate analysis and change review was the current fee structure. Options indicated in this report represent a few of the potential structures available for the Town's consideration. Additionally, each proposed structure has the flexibility to be modified with rates that may be more in line with the Town's ultimate goals. HdL will work with the Town to craft any additional classifications or structures that the Town feels may be worth considering.

Appendix

Corte Madera, CA



Demographics:

- Population: 9,802
- County: Marin County
- Incorporation: June 10, 1916
- Estimated median household income: \$147,587
- Land area: 4.402 square miles
- Population Density: 3,071 people per square miles

Rate structures and fees- renewal cycles: 5.04.260:

- ◆ **Annual License:** The standard renewal cycle for business licenses in the Town of Corte Madera follows a calendar period; licenses are effective from the beginning of January and expire at the end of December. The Town also has quarterly and daily tax periods, but these are uncommon and reserved for specific businesses. New businesses are allowed proration of their first tax year.

Rate structures and fees- Penalties 5.04.270:

- ◆ A delinquent penalty is assessed at a rate of 10% of the license tax at the end of each month after the due date, never to exceed 50% of the total license tax for a given period.

Town of Corte Madera Business License Tax Rates & Fees:

- Retail Sales, Wholesalers & Manufacturers, and all Other Businesses -

Retail sales, wholesale/ manufacturing, and all other business types not otherwise provided for in this summary fall under three categories. If a business has gross receipts under \$10,000, they are considered Classification A. If a business makes \$10,000 or more, they are considered Classification B. Wholesalers are a separate classification on their own, unrelated to gross receipts. The total amount due is the base registration tax plus the employee rate from the table below.

Business Type	Code	Base Registration Tax	Employee Rate
Classification A	5.04.300	\$35.00	-
Classification B	5.04.300	\$45.00	+\$6.00 per employee in excess of five
Wholesalers/ Manufacturers	5.04.310	\$45.00	+\$6.00 per employee

DRAFT REPORT

- Contractors -

Business Type	Code	Annual Rate	Quarterly Rate
Contractors	5.04.320	\$50.00 per annum	\$15.00 per quarter

- Professionals & Service Providers -

Business Type	Code	Professional Tax	Non-Professional Tax
Licensed Professionals	5.04.330	\$30.00 per Professional	+\$10.00 per non-professional
Service Providers	5.04.330	\$45.00	+\$6.00 per employee

- Taxicabs, Trucks, & Public Transportation -

Business Type	Code	Base Registration Tax	Unit Tax
Taxicabs, trucks, public transport	5.04.340	\$5.00	+\$25.00 per vehicle

Commercial lodging establishments are based on the total number of units available for lodging according to the following schedule:

- Motels, hotels, inns, motor courts -

Total number of units	Code	Annual tax
1 to 10 units	5.04.350	\$30.00
11 to 25 units		\$40.00
26 to 40 units		\$60.00
Over 40 units		\$60.00 + \$1.00 per unit over 40

Residential property rentals, apartment houses, and the like pay a set fee per property. Boarding houses also fall within this category.

- Residential Lodging -

Business Type	Code	Annual tax
Residential property rental	5.04.360	\$6.00 per unit

- *Miscellaneous* -

Business Type	Code	Tax Rate
Amusement Rides	5.04.390	\$5.00 per day or \$25.00 per quarter
Billiards	5.04.390	\$15.00 annum per table
Bowling Alley	5.04.390	\$10.00 annum per lane
Carnival	5.04.390	\$150.00 per day
Circus	5.04.390	\$100.00 per day
Exhibitions	5.04.390	\$30.00 per day
Movie Theaters	5.04.390	\$350.00 annum
Public Dances	5.04.390	\$10.00 per dance
All other amusements	5.04.390	\$5.00 per day or \$25.00 per quarter
Barber shop, Beauty schools	5.04.410	\$30.00 + \$4.00 per employee annum
Home Occupation	5.04.420	\$15.00 + \$0.05 per \$1,000 gross receipts

Fairfax, CA



Demographics:

- Population: 7,333
- County: Marin County
- Incorporation: March 2, 1931
- Estimated median household income: \$107,582
- Land area: 2.23 square miles
- Population Density: 3,358 people per square mile

Rate structures and fees- renewal cycles: 5.12.080:

Annual License: Unless otherwise specifically provided, all annual license taxes under the provisions of this Division I shall be due and payable in advance on January 1 of each calendar year and shall become delinquent on February 1 of each calendar year.

Rate structures and fees- Penalties 5.12.110

Should any license fee remain unpaid for a period of 30 calendar days after the due date thereof, a penalty of ten percent of the total license fee shall be added for each calendar month, or part thereof, during which the license fee remains unpaid, and the penalty or penalties shall be collected by the Town Clerk, or the Town Clerk’s deputies, along with the delinquent license fee.

Town of Fairfax Business License Tax Rates & Fees: 5.16

All fees, including the “Minimum License Fee” is set by resolution of the Town Council.

Business Type	Code	Tax Rate
Professionals / Semi-Professionals / Trade Businesses	5.16.030	# of Professionals x \$135 plus # of Employee x \$30
Housing/Apartments	5.16.100	Number of Units x \$25

Business Type	Code	Tax Rate
Contractors (Inside)	5.16.040	\$100
Contractors (Outside)		\$75

Business Type	Code	Unit	Tax Rate
<i>Delivery Vehicles</i>	5.16.090	# of vehicles (weight up to 1 ton)	x \$80
		# of vehicles (weight up to 2 ton)	x \$120
		# of vehicles (weight up to 3 ton)	x \$175
		# of vehicles (over to 3 ton)	x \$265

Business Type	Code	Gross Receipts	Base Fee	Gross Receipt Fee
<i>Retail, Service, Wholesale, Manufacturing, Hotels</i>	5.16.020	\$0 - \$10,000	\$100	\$6
		\$10,000 - \$25,000	\$100	\$16
		\$25,000 - \$37,500	\$100	\$23
		\$37,500 - \$50,000	\$100	\$31
		\$50,000 - \$75,000	\$100	\$47
		\$75,000 - \$100,000	\$100	\$63
		\$100,000 - \$150,000	\$100	\$94
		\$150,000 - \$200,000	\$100	\$125
		\$200,000 - \$250,000	\$100	\$156
		\$250,000 - \$300,000	\$100	\$188
		\$300,000 - \$350,000	\$100	\$219
		\$350,000 - \$400,000	\$100	\$250
	\$400,000 and more	\$100	\$250 + \$31 for every 50,000 thereafter	

Business Type	Code	Tax Rate
<i>Home Based Business</i>	5.16.060	\$100
<i>Contractors (Inside)</i>	5.16.040	\$100
<i>Contractors (Outside)</i>		\$75
<i>Real Estate Broker (Inside)</i>	5.16.130	\$175
<i>Real Estate Broker (Outside)</i>		\$200

Foster City, CA



Demographics:

- Population: 33,693
- County: San Mateo County
- Incorporation: April 27, 1971
- Estimated median household income: \$129,733
- Land area: 9.84 square miles
- Population Density: 8,685 people per square mile

Rate structures and fees- renewal cycles: 5.20.010:

Annual License: ... All annual license taxes shall be due and payable in advance on the first day of January of each year based on gross receipts during the prior calendar year ending December 31; provided, that license taxes covering new operations commenced thereafter may be prorated for the balance of the license period based upon an estimate of the anticipated gross receipts for that year.

Rate structures and fees- Penalties 5.20.020

For failure to pay a license tax when due, the collector shall add a penalty of ten percent of the license tax at five p.m. on the sixtieth day after the due date thereof, and an additional ten percent at five p.m. on the last day of each month thereafter. The amount of such cumulative penalty to be added shall in no event exceed one hundred percent of the license tax due.

City of Foster City Business License Tax Rates & Fees: 5.24.010

Every person who engages in business at a fixed place of business within the city shall pay a license tax of seventy-five cents per one thousand dollars (or 0.075 percent) of gross receipts or part thereof subject to the following:

Business Type	Code Sec.	Tax Rate
<i>Inside (Fixed Place) Businesses</i>	5.24.010A	Gross Receipts X \$0.75 per thousand
		Not less the \$100
		Not exceeding \$25,731*

Business Type	Code Sec.	Tax Rate
<i>Outside Contractors</i>	5.24.010A	Gross Receipts X \$0.75 per thousand Not less the \$200 Not exceeding \$25,731*
<i>Outside Sub Contractors</i>		Gross Receipts X \$0.75 per thousand Not less the \$100 Not exceeding \$25,731*

*City tax cap is based on the year to year CPI adjustments.

Mill Valley, CA



Demographics:

- Population: 14,295
- County: Marin County
- Incorporation: September 1, 1900
- Estimated median household income: \$74,489
- Land area: 4.846 square miles
- Population Density: 2,971 people per square miles

Rate structures and fees- Renewal Cycles: 5.08.500:

- ◆ **Annual License:** The standard renewal cycle for business licenses in the City of Mill Valley begins on July 1st, ending on June 30th of each year. The City also has semiannual, quarterly, monthly, weekly, and daily tax periods but these are uncommon and reserved for specific businesses. New businesses following the annual license cycle are allowed proration of their first tax year, the proration amount increments by 25% depending on which calendar quarter the business commenced operations.

Rate structures and fees- Penalties 5.08.600:

- ◆ Businesses are assessed a delinquent penalty on the first day of the month following the due date at 10% of the license tax. An additional 10% is assessed on the first day of each month thereafter. Penalties cannot exceed 50% of the total tax owed for a given period.

Rate structures and fees- Miscellaneous fees:

Activity	Associated Fee
Short-term rental registration fee (res. Property rental)	\$50.00

City of Mill Valley Business License Tax Rates & Fees:

- General -

Businesses in Mill Valley fall under 3 classifications, each classification with its own gross receipts tax structure.

BUSINESS TYPE

Class A	Class B	Class C
Auto Repairs	Architectural Services	Accounting Services
Construction Contractors	Beauty Services	Financial Services
Laundry Services	Building Services	Insurance Services
Manufacturing	Commercial Rentals	Legal Services
Retail Trade	Engineering Services	Management Services
Wholesale Trade	Landscaping Services	Medical/ Health Services
Gas Station	Travel Services	Public Relations
Antiques	(All businesses not listed elsewhere)	Real Estate Services

GROSS RECEIPTS CHART

Gross Receipts Range	Class A	Class B	Class C
\$0 – 7,500	\$15.00	\$22.50	\$30.00
7,501 – 15,000	30.00	45.00	60.00
15,001 – 25,000	45.00	67.50	90.00
25,001 – 50,000	60.00	90.00	120.00
50,001 – 100,000	100.00	150.00	200.00
100,001 – 250,000	150.00	250.00	300.00
250,001 – 500,000	300.00	375.00	450.00
500,001 – 750,000	450.00	562.00	675.00
750,001 – 1,000,000	600.00	750.00	90.00
1,000,001 – 2,000,000	800.00	1,000.00	1,200.00
2,000,001 – 3,000,000	1,000.00	1,250.00	1,500.00
3,000,001 – 4,000,000	1,200.00	1,500.00	1,800.00
4,000,001 – 5,000,000	1,400.00	1,750.00	2,100.00
5,000,001 – 10,000,000	2,000.00	2,500.00	3,000.00
10,000,001 and over	3,000.00	3,750.00	4,500.00

City of Mill Valley Business License Tax Rates & Fees:

- Other Categories -

Business Type	Tax Rate
Residential & Commercial Rental	\$15.00 per unit
Itinerant Auctioneers	\$500 per year or \$50 per day
Carnivals & Fairs	\$400 1 st day + \$300 per additional day
Christmas Tree Lots	\$45.00 per year
Circuses	\$750 1 st day + \$562.50 per additional day
Peddlers or Solicitors	\$500 per year
Taxicab	\$60 per vehicle per year

Millbrae, CA



Demographics:

- Population: 23,154
- County: San Mateo County
- Incorporation: January 14, 1948
- Estimated median household income: \$98,533
- Land area: 3.26 square miles
- Population Density: 6,927 people per square miles

Rate structures and fees- renewal cycles: 7.05.180:

Annual License: Each business shall, for purposes of paying the business license tax, be categorized by the tax collector as conducting business under one of the following:

- A. Fiscal Year Period. Fiscal year period shall commence on July 1st and end on June 30th.
- B. Monthly Period. Monthly period shall begin on the date of issuance of the business license and shall expire thirty days thereafter.
- C. Daily Period. Daily period shall begin at 12:01 a.m. and expire at 11:59 p.m. on the calendar date of issuance of the business license.

Rate structures and fees - Penalties: 7.05.260:

If a fiscal year business license tax is not paid in full by August 15th of each fiscal year or, in the case of newly established businesses, by the commencement of business in the city, the tax collector shall

- A. Impose a thirty percent penalty on the tax payment due and owing; and
- B. Impose an additional fifteen percent penalty per month of the license tax payment, or fraction thereof, that remains unpaid; and
- C. Impose an interest charge at the rate of one and one-half percent per month, or fraction thereof, on the amount of the license tax and penalties from the date on which the license tax was delinquent.

City of Millbrae Business License Tax Rates & Fees:

Business license taxes for each business in the city shall be calculated in the manner described below; provided, however, that if gross receipts are the indicated tax measure but cannot be calculated or reasonably determined for any particular business, the tax shall be based upon its cost of operations.

Business Type	Code Sec.	Tax Rate
<i>Administrative Headquarters</i>	7.05.120	\$64 plus \$4.25 per employee
<i>Contractors, General</i>		\$160
<i>Contractors, Specialty and Subcontractors</i>		\$80
<i>Home Occupations</i>		\$27 if gross receipts are less than \$15,000 per year; otherwise based on applicable classification of business activity
<i>Manufacturing</i>		\$64 plus \$4.25 per employee, plus application of gross receipts schedule
<i>Massage Business</i>		Initial \$370; renewal \$210
<i>Independent Massage Practitioner</i>		\$105
<i>Motel/Hotel</i>		\$64 plus \$4.25 per employee, plus application of gross receipts schedule
<i>Professionals</i>		\$210
<i>Real Estate Brokers</i>		\$210
<i>Real Estate Agents</i>		\$53
<i>Recreation and Entertainment</i>		\$64 plus \$4.25 per employee, plus application of gross receipts schedule
<i>Rental of Property, Commercial</i>		\$64 plus \$10.60 per 1,000 square feet
<i>Rental of Property, Residential</i>		\$64 plus \$5.30 per unit
<i>Retailing</i>		\$64 plus \$4.25 per employee, plus application of gross receipts schedule
<i>Seasonal Sales, Monthly</i>		\$64 plus \$120 per month
<i>Seasonal Sales, Yearly</i>		\$64 plus \$530 per year
<i>Services</i>		\$64 plus \$4.25 per room, plus application of gross receipts schedule
<i>Theaters</i>		\$64 plus \$.50 per seat
<i>Transportation of Persons and Goods</i>		\$64 plus \$64 per vehicle and driver
<i>Warehousing</i>		\$64 plus \$.32 per \$1,000 cost of operations
<i>Wholesaling</i>		\$64 plus \$4.25 per employee, plus application of gross receipts schedule

Gross Receipt Schedule	Structure	Tax Rate
<i>For those business classifications that are to pay a portion of their business license to base on their gross receipt \$750,000 of more.</i>	\$750,000 - \$5,000,000	\$0.35 per thousand
	Over \$5,000,001 - \$10,000,000	\$0.25 per thousand
	Over \$10,000,000	\$0.20 per thousand

Richmond, CA



Demographics:

- Population: 110,146
- County: Contra Costa County
- Incorporation: August 7, 1905
- Estimated median household income: \$54,857
- Land area: 52.51 square miles
- Population Density: 1,976 people per square miles

Rate structures and fees- renewal cycles: *various*:

- ◆ **Anniversary License:** The standard renewal cycle for business licenses in the City of Richmond are effective from the date business commences and expire on the anniversary of the date of issuance. The city also has less common semi-annual, monthly, quarterly, and daily tax periods depending on the business classification.

Rate structures and fees- Penalties 7.04.290:

- ◆ Businesses are considered delinquent if unpaid within 30 days after it expires. A penalty is assessed at a rate of 10% of the license tax when it initially becomes delinquent. If it remains delinquent for another 30 days, the penalty becomes 25%. If still delinquent after 60 days, the penalty becomes 50%.

Rate structures and fees- Miscellaneous fees:

Activity	Associated Fee
Zoning Compliance fee	\$52.00
Fire Inspection (under 2K sq. ft.)	\$119.00
Fire Inspection (over 2K sq. ft.)	\$239.00
Building Inspection	\$103.00
Address Change (Home-Based)	\$155.00
Address Change (Commercial)	\$274.00 to \$394.00
Duplicate Certificate fee	\$46.15
Junkyard Application Fee	\$45.80

City of Richmond Business License Tax Rates & Fees:

- Major business classifications –

Business Type	Base Tax	Employee Tax (first 25)	Employee Tax (26+)
Inside business (not classified elsewhere)	\$238.10	+\$46.80 per employee	+\$40.10 per employee

Business Type	Base Tax	Employee Tax (first	Employee Tax (26+)
Contractor	\$79.25 per qtr.	+\$11.70 per employee	+\$10.00 per employee
Subcontractor	<i>or</i>		
Itinerant Business	\$238.10 per annum	+\$46.80 per employee	+\$40.10 per employee

Business Type	Tax
Rental Property	\$238.10 per location

Business Type	Tax
Peddler/ Solicitor	\$104.30 (6 months) or \$204.65 (1 year)
Taxicab	\$87.60 per cab
Mobile Food Vendor	\$204.65

- Minor business classifications –

Business Type	Tax
Amusements, Exhibitions	\$0.03 per ticket
Arcade	\$200.65
Bowling Alley	\$104.30
Carnival, Circus	\$840.15 daily
Childcare, in-home	\$20.70 + \$6.65 per child
Mobile home park	\$87.60 per lot
Movie Theater	\$100.30 up to \$20,000 gross receipts, +\$3.00 per \$1,000 GR over \$20,000
Part-time business	(\$601 to \$999 gross receipts) = \$204.65 annually, or \$104.30 semi-annually
Pool or Billiard Room	\$54.15 per table annually

San Rafael, CA



Demographics:

- Population: 58,704
- County: Marin County
- Incorporation: February 18, 1874
- Estimated median household income: \$75,668
- Land area: 22.51 square miles
- Population Density: 2,574 people per square miles

Rate structures and fees- renewal cycles: 10.04.070:

Annual License: The standard renewal cycle for business licenses in the City of San Rafael follow a calendar period; licenses are effective from the beginning of January and expire at the end of December. The City also has semiannual, quarterly, monthly, weekly, and daily tax periods but these are uncommon and reserved for specific businesses. New businesses are allowed proration of their first tax year if they are not gross receipts based.

Rate structures and fees- Penalties 10.04.080:

- ◆ Businesses are considered delinquent within 45 days after expiration. A delinquent penalty is assessed at a rate of 10% of the license tax once a license initially becomes delinquent. Every 30 days thereafter that the license tax remains unpaid, another 10% penalty is assessed. Penalties cannot exceed 60% of the total tax under any circumstance.

Rate structures and fees- Miscellaneous fees:

Activity	Associated Fee
Commercial application processing fee (1 st year only)	\$118.00
Home Occupation application processing fee (1 st year only)	\$88.00
Change of Ownership fee	\$10.00

City of San Rafael Business License Tax Rates & Fees:

- Overview -

Businesses in the City of San Rafael are categorized into two classifications:

- ◆ In City
- ◆ Out of City

City of San Rafael Business License Tax Rates & Fees:

- In City Tax Schedule -

Business Type Schedule	Gross Receipts	Tax
Contractors	\$0.00 – 25,000	\$40
All Retail	25,001 – 50,000	\$60
Wholesale	50,001 – 100,000	\$80
General Services	100,001 – 200,000	\$80 + \$0.70 per \$1,000 over \$100,000
	200,001 – 300,000	\$150 + \$0.60 per \$1,000 over \$200,000
	300,001 – 500,000	\$210 + \$0.50 per \$1,000 over \$300,000
	500,001 – 1,000,000	\$310 + \$0.40 per \$1,000 over \$500,000
	1,000,001 – 2,000,000	\$510 + \$0.30 per \$1,000 over \$1M
	2,000,001 or more	\$810 + \$0.20 per \$1,000 over \$2M

Business Type Schedule	Gross Receipts	Tax
Professional Services	\$0.00 – 50,000	\$80
Semi-Professional Services	50,001 – 100,000	\$120
	100,001 – 200,000	\$180
	200,001 – 300,000	\$270
	300,001 – 400,000	\$352
	400,001 – 500,000	\$428
	500,001 – 750,000	\$540
	750,001 – 1,000,000	\$690
	1,000,001 – 1,250,000	\$780
	1,250,001 – 1,500,000	\$880
	1,500,001 – 1,750,000	\$990
	1,750,001 – 2,000,000	\$1,100
	2,000,001 or more	\$1,100 + \$0.30 per \$1,000 over \$2M

City of San Rafael Business License Tax Rates & Fees:

- In City Tax Schedule contd. -

The following businesses must compute taxes using the referenced formulas and elect whichever is the greater amount:

Business Type	Gross Receipts Tax	Unit Tax
Apartment Owners	\$1.70 per \$1,000 gross	\$33.84 per unit

Business Type	Gross Receipts Tax	Employee Tax
In-City Contractors	Schedule A	\$193.22 Base tax + \$24.11 per full-time employee/ +\$12.05 per part-time employee

Business Type	Gross Receipts Tax	Employee Tax
Real Estate Businesses	Schedule B	\$193.22 Base tax + \$56.10 per broker/agent/salesperson + \$24.11 per full-time employee/ +\$12.05 per part-time employee

Business Type	Gross Receipts Tax	Unit Tax
Vending Machines	\$5.00 per \$1,000 gross	\$24.11 per unit

City of San Rafael Business License Tax Rates & Fees:

- Out of City Tax Schedule -

Out of city businesses such as contractors and service providers must do a comparison using the schedules below. Whichever amount is greater, the business must elect.

Type	Gross Receipts	Tax
Out of City	\$0.00 – 25,000	\$40
	25,001 – 50,000	\$60
	50,001 – 100,000	\$80
	100,001 – 200,000	\$80 + \$0.70 per \$1,000 over \$100,000
	200,001 – 300,000	\$150 + \$0.60 per \$1,000 over \$200,000
	300,001 – 500,000	\$210 + \$0.50 per \$1,000 over \$300,000
	500,001 – 1,000,000	\$310 + \$0.40 per \$1,000 over \$500,000
	1,000,001 – 2,000,000	\$510 + \$0.30 per \$1,000 over \$1M
	2,000,001 or more	\$810 + \$0.20 per \$1,000 over \$2M

Employee Rate	Base Tax	Employee rate
Out of City	\$193.22	+\$24.11 per full-time employee/ +\$12.05 per part-time employee

Sausalito, CA



Demographics:

- Population: 7,100
- County: Marin County
- Incorporation: September 4, 1893
- Estimated median household income: \$111,702
- Land area: 2.26 square miles
- Population Density: 3,128.5 people per square miles

Rate structures and fees- renewal cycles: 5.04.200:

Annual License: Unless otherwise specifically provided, all annual license taxes, under the provisions of this chapter, shall be due and payable in advance on the first day of January of each year. There shall be no prorating of license taxes covering new operations commencing after the first day of January of any year.

Rate structures and fees- Penalties 5.04.210:

- For failure to pay a license tax when due, the Collector shall add a penalty of 10 percent of such license tax on the last day of each month after the due date thereof, providing that the amount of such penalty to be added shall in no event exceed 60 percent of the amount of the license tax due. In the event legal action is brought by the City to enforce collection of a license tax and/or the penalty thereon, the person owing such tax and/or penalty shall pay all costs of suit incurred by the City, including a reasonable attorneys' fee.

City of Sausalito Business License Tax Rates & Fees:

Category	Gross Receipts Rate
Category 1 – General Retail, Wholesale, Restaurant, Hotels, Manufacturing	\$1 / thousand (\$125 minimum)
Category 2 – Rental Units	\$2 / thousand (\$125 minimum)
Category 3 – Service and Professionals	\$3 / thousand (\$125 minimum)
Category 1 – Contractors	\$2 / thousand (\$125 minimum)

Addendum

Option 2 - Model 2.1

The Town request the HdL model a structure base on a neighboring jurisdiction. This model is solely based on the gross receipt scale model Fairfax, CA. The flat rate gross receipt scale model is similar to the Town’s existing model; however, the model uses approximately \$0.62 per thousand to calculate the gross receipt fee. This model includes a base of \$100.

Tax Structure

Gross Receipts	Base Fee	Gross Receipt Fee
\$0 - \$10,000	\$100 plus (GR Fee)	\$6
\$10,000 - \$25,000		\$16
\$25,000 - \$37,500		\$23
\$37,500 - \$50,000		\$31
\$50,000 - \$75,000		\$47
\$75,000 - \$100,000		\$63
\$100,000 - \$150,000		\$94
\$150,000 - \$200,000		\$125
\$200,000 - \$250,000		\$156
\$250,000 - \$300,000		\$188
\$300,000 - \$350,000		\$219
\$350,000 - \$400,000		\$250
\$400,000 and more		\$250 + \$31 for every 50,000 thereafter

Due to the limitation of the Town’s data, HdL create a simple gross receipt rate model of \$0.62 per thousand plus \$100 base fee that applies to all businesses.

Tax Basis	Tax Rate
Registration Tax	\$100 + Annual CPI
Gross Receipts Tax	\$0.62 per thousand dollars of Gross

Estimates Table

Using the varying structures above, the table below indicates potential revenues from one possible classification model based on the existing business data.

Gross Receipts	Number of Accts	Taxable Gross Receipts	Tax Amount (\$0.63 per thousand)
Base Tax	1,596	Flat Fee (\$100)	\$159,600
Gross Receipts Tax		\$511M	\$316,793
TOTALS>			\$476,393

Highlights and Impact Review

HdL does not recommend copying Fairfax, CA business tax structure verbatim, yet this model’s objective is to provide insight. The gross receipt scale for Fairfax, CA only applies to retail, service, wholesale, manufacturing, hotels which, if replicated, can significantly impact the estimated revenue. For more information about neighboring jurisdictions please see **page 14**.

As stated in Option 2: Model 1, the town can choose any multiplier the suites its goals and this model could potentially generate an additional 90%. With a gross receipt rate of \$1 per thousand and a base of \$125 the Town could see over \$710,000, which is a 182% increase.

Option 2 - Model 2.2

Gross Receipts	Number of Accts	Taxable Gross Receipts	Tax Amount (\$1 per thousand)
Base Tax	1,596	Flat Fee (\$125)	\$199,500
Gross Receipts Tax		\$511M	\$510,956
TOTALS>			\$710,456