



FAIR SHARE

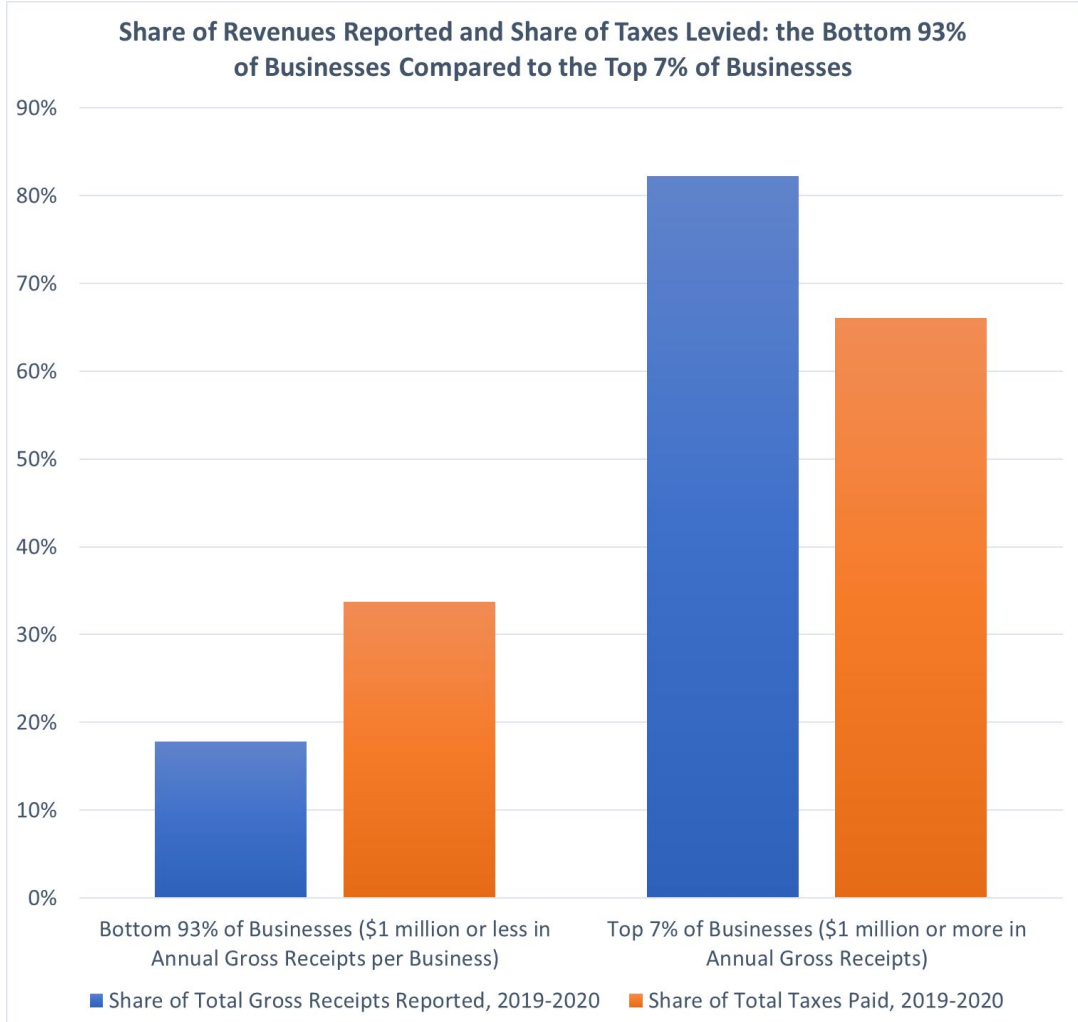
Business Tax Proposal

Rules and Legislation Committee Meeting
City of Oakland
March 31, 2022
Proposal from CP Bas and CM Fife

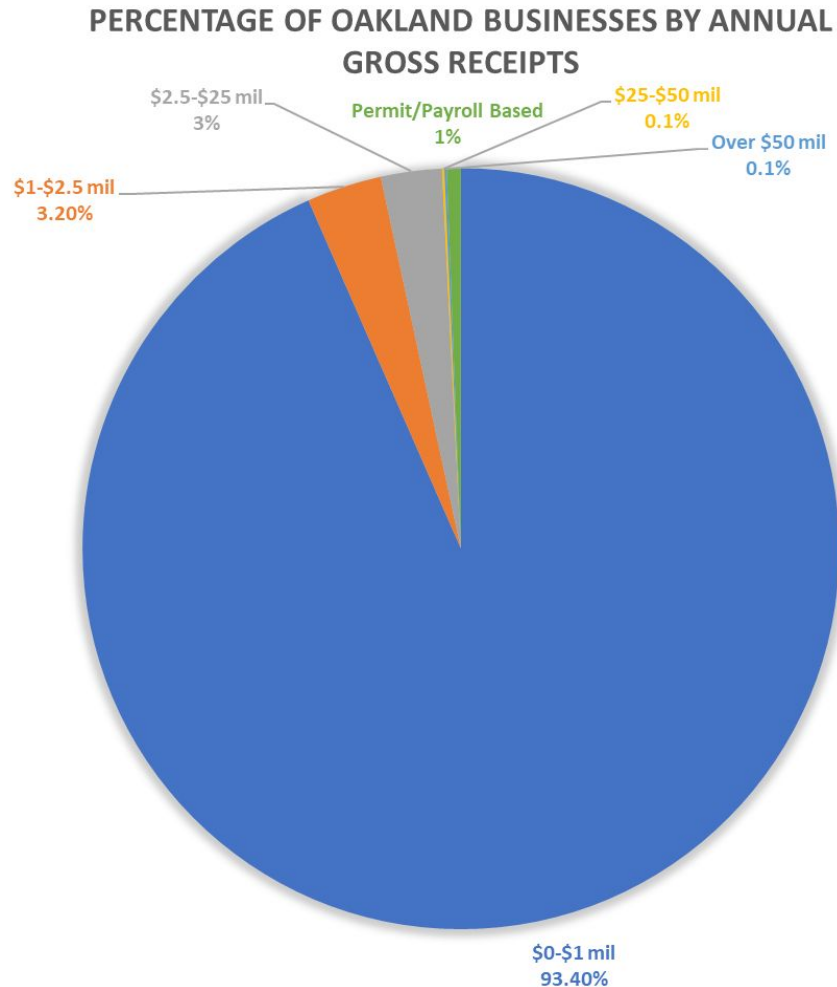
Oakland's Business License Tax Structure

Where we are now

- Outdated, last major update 2005
- Regressive, flat tax rate on gross receipts
- Disproportionately burdens small businesses



Oakland Businesses By Annual Gross Receipts



Updating the Business License Tax

1. **Budget Advisory Commission** repeatedly recommends creating **new revenue streams**.
2. July 14, 2020 — City Council **unanimously adopts Resolution 88227 to place Equitable Business Tax on November 2022 ballot**.
3. 2021 - 2022 — **Blue Ribbon Equitable Business Tax Task Force held 16 public meetings and made recommendations to Council on tax rates**, presented on January 18, 2022.
4. **Broad agreement among stakeholders to make structural reform** to create fairness with tiered tax rates.
5. **Bas/Fife proposal** updates 2020 resolution, incorporates Task Force recommendations, and proposes additional changes.

FAIR SHARE Business Tax *GOALS*

1. **Provide small businesses**, which make up the vast majority in Oakland, **with needed relief** from gross receipts taxes **and improved city services**;
2. **Invite larger corporations to make deeper investments** in gross receipts taxes in order to help rebuild and strengthen our city;
3. **Raise revenue to increase and improve city services** for the businesses and residents of Oakland, including homelessness services and housing, illegal dumping clean-up, street and sidewalk maintenance, small business assistance, fire safety, and community safety; and
4. **Modernize the gross receipts tax structure and close loopholes.**

Policy Updates

Differences with Blue Ribbon Task Force recommendations

1. This proposal **maintains rates in the up to \$1M bracket** for these categories: Administrative Headquarters, Media Firms, Public Utilities, and Miscellaneous. **This change ensures that all small businesses with gross receipts under \$1M get tax relief or maintain the same tax rate.**
2. This proposal **increases rates in the \$75M to \$100M bracket** for these categories: Auto Sales, Wholesale, Business/Personal Services, Professional/Semi-Professional Services, Recreation and Entertainment, Contractors, Manufacturing, Hotel/Motel, Administrative Headquarters, Media Firms, and Miscellaneous.

Policy Updates

Differences with Blue Ribbon Task Force recommendations

3. This proposal **creates a new bracket for \$100M and above** for these categories: Grocers, Auto Sales, Wholesale, Business/Personal Services, Professional/Semi-Professional Services, Recreation and Entertainment, Contractors, Manufacturing, Hotel/Motel, Administrative Headquarters, Media Firms, and Miscellaneous.
4. This proposal **amends Taxi, Ambulance, Limousine and Transportation, Trucking rates** as proposed by CM Dan Kalb in his July 12, 2020 memo.

Effective January 1, 2023

These changes raise an additional \$5M compared to the Blue Ribbon Task Force recommendations, bringing in about \$40M in new annual revenue.

Policy Updates

Same as Blue Ribbon Task Force recommendations

This proposal **maintains the Task Force recommendation for an administrative headquarters tax for large national firms** with administrative functions in Oakland. This tax would apply in lieu of the regular payroll-based administrative headquarters tax for firms with more than 1,000 employees nationally and \$1 billion in revenue. **This is estimated to raise an additional \$8.2 million per year.**

Also note that this proposal **leaves “as-is” and unchanged the business tax rates for cannabis and residential and commercial rentals, which were both updated by the City Council in 2019.**

FAIR SHARE Business Tax

Proposed Rate Schedule

SECTORS	CURRENT RATES		Proposed Legislation - Blue Ribbon Taskforce Recommendation with Amendments								
	Min Paym't	Tax per \$1,000	\$0-\$1M	\$1M-\$2.5	\$2.5 M-\$10M	\$10M-\$25 M	\$25M-\$50M	\$50M-\$75 M	\$75M-\$100M	New \$100M+ Tier	Minimum Paym't
Retail Sales	\$60	\$1.20	\$0.90	\$1.08	\$1.25	\$1.50	\$1.75	\$2.00	\$2.50	\$2.50	\$50
Grocers	\$60	\$0.60	\$0.45	\$0.54	\$1.00	\$1.35	\$1.50	\$1.75	\$2.00	\$2.24	\$50
Auto Sales	\$60	\$1.20	\$1.20	\$1.25	\$1.50	\$1.75	\$2.00	\$2.25	\$3.50	\$3.99	\$50
Wholesale	\$60	\$1.20	\$1.08	\$1.14	\$1.25	\$1.50	\$1.75	\$2.00	\$2.75	\$3.99	\$50
Business / Pers	\$60	\$1.80	\$1.62	\$1.71	\$3.25	\$4.00	\$5.00	\$5.25	\$9.50	\$10.08	\$50
Prof/Semi	\$60	\$3.60	\$3.24	\$3.42	\$5.00	\$5.00	\$5.50	\$6.50	\$8.50	\$9.00	\$50
Recr And Ent	\$60	\$4.50	\$4.50	\$4.70	\$4.70	\$4.70	\$4.80	\$5.00	\$7.00	\$9.00	\$50
Contractors	\$60	\$1.80	\$1.80	\$2.75	\$4.00	\$4.50	\$5.00	\$5.50	\$7.00	\$9.00	\$50
Manufacturing	\$60	\$1.20	\$0.90	\$1.20	\$2.25	\$2.75	\$3.00	\$3.25	\$6.00	\$6.65	\$50
Hotel, Motel	\$60	\$1.80	\$1.62	\$1.71	\$3.80	\$4.80	\$5.00	\$5.25	\$5.50	\$5.60	\$50
Admin Headqtrs +	\$60	\$1.20	\$1.20	\$4.50	\$5.00	\$5.50	\$6.00	\$6.50	\$8.00	\$9.50	\$50
Media Firms	\$60	\$1.20	\$1.20	\$2.80	\$3.20	\$3.80	\$4.80	\$5.00	\$8.50	\$9.50	\$50
Public Utility	\$60	\$1.00	\$1.00	\$4.50	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$50
Misc	\$60	\$1.20	\$1.20	\$4.50	\$5.00	\$5.50	\$6.00	\$6.50	\$9.00	\$10.40	\$50
Res Rental, Non-Res Rental	Unamended										
Cannabis	Unamended										
Firearms, Ammunition	Unamended										
Taxi, Ambulance, Limos	See Below										
Trucking, Transportation	See Below										

City of Oakland, Department of Finance Gross Receipts Tax Rates, available at: <https://cao-94612.s3.amazonaws.com/documents/Business-Tax-Classification-and-Rate-Tables-2020.pdf>

Rates highlighted in red are adjusted lower than the Task Force recommendations.

Rates highlighted in green are adjusted higher than the Task Force recommendations.

+ Maintains the 1.5% administrative headquarters tax rate for companies with over \$1 billion in revenue on their federal tax returns and over 1,000 US employees, as recommended by the Blue Ribbon Taskforce.

FAIR SHARE Business Tax

Proposed Rate Schedule

TAX RATES - CURRENT LAW vs KALB PROPOSAL

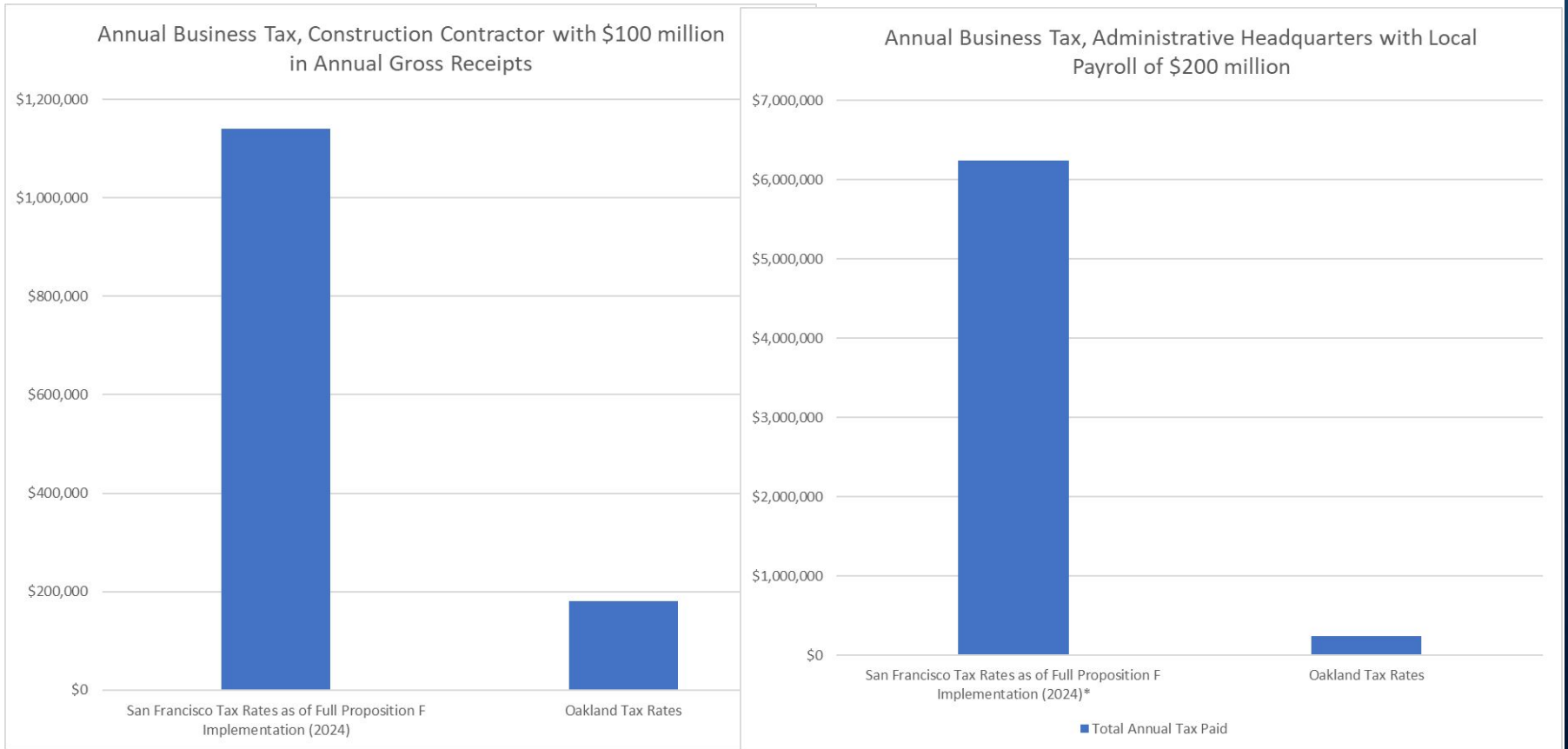
	Current Law		Kalb Proposal	
Taxis		\$180.00		\$180.00
Limousines		\$75.00		\$180.00
Ambulances		\$75.00		\$149.00
Trucking / Transp	First Employee	\$72.00	First Employee	\$150.00
	2nd - 20th	\$18.00	2nd - 10th	\$25.00
	21st - 100th	\$9.00	11th - 100th	\$30.00
	101st - 200th	\$7.50	All Additional	\$40.00
	All Additional	\$4.50		

REVENUES - CURRENT LAW vs KALB PROPOSAL (FY 23 - 24)

	Current Law	Kalb Proposal	Net Additional Rev
Taxis	\$12,510	\$12,510	\$0
Limousines	\$1,275	\$4,335	\$3,060
Ambulances	\$2,948	\$8,805	\$5,857
Trucking / Transp	\$90,090	\$311,362	\$221,272
Total	\$106,823	\$337,012	\$230,189

Keeping Oakland Competitive

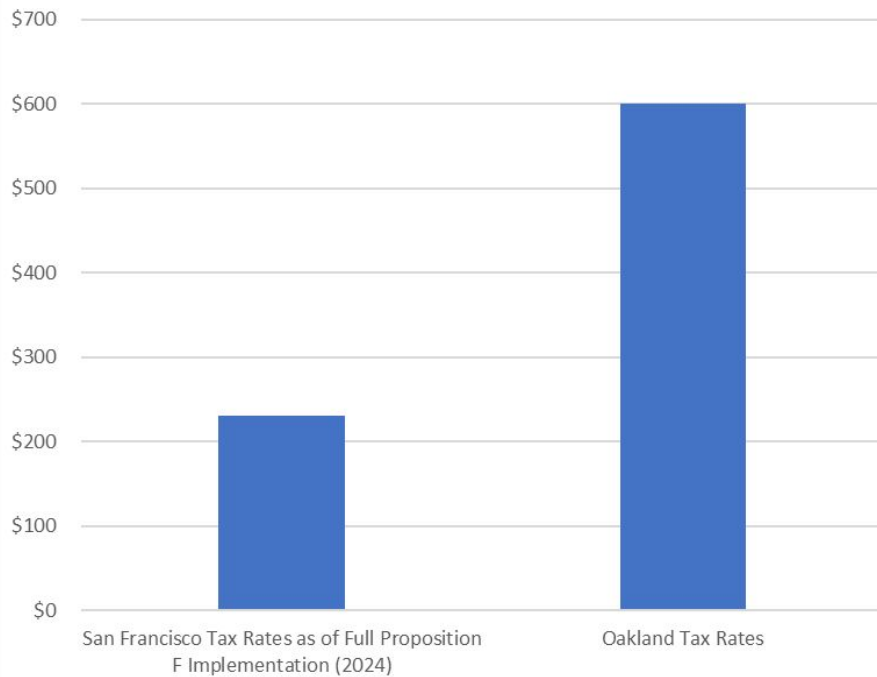
San Francisco v. Oakland



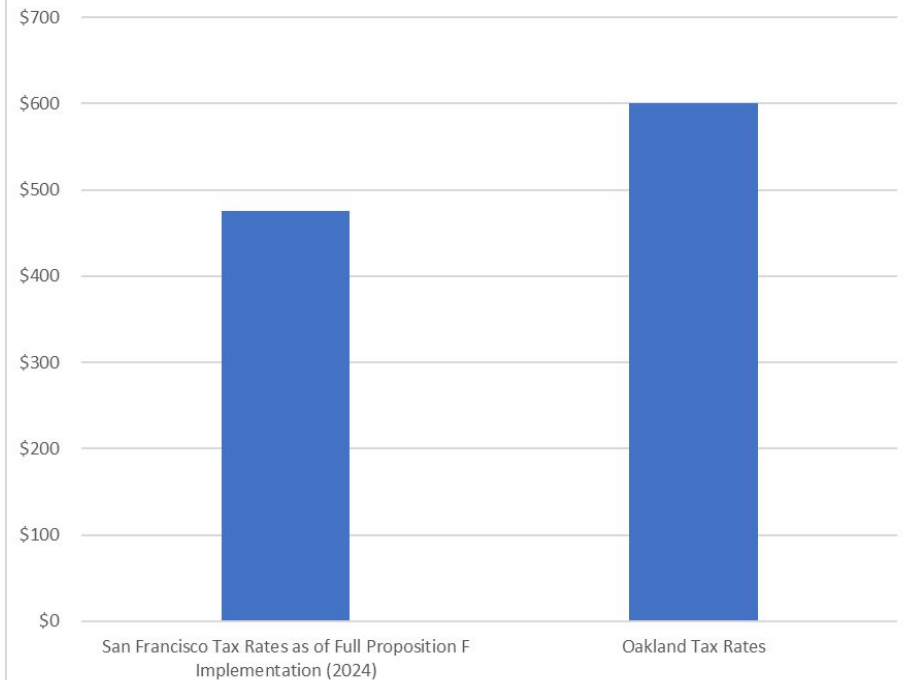
Keeping Oakland Competitive

San Francisco v. Oakland

Annual Business Tax, Retailer with \$500,000 in Annual Gross Receipts



Annual Business Tax, Grocer with \$1 million in Annual Gross Receipts



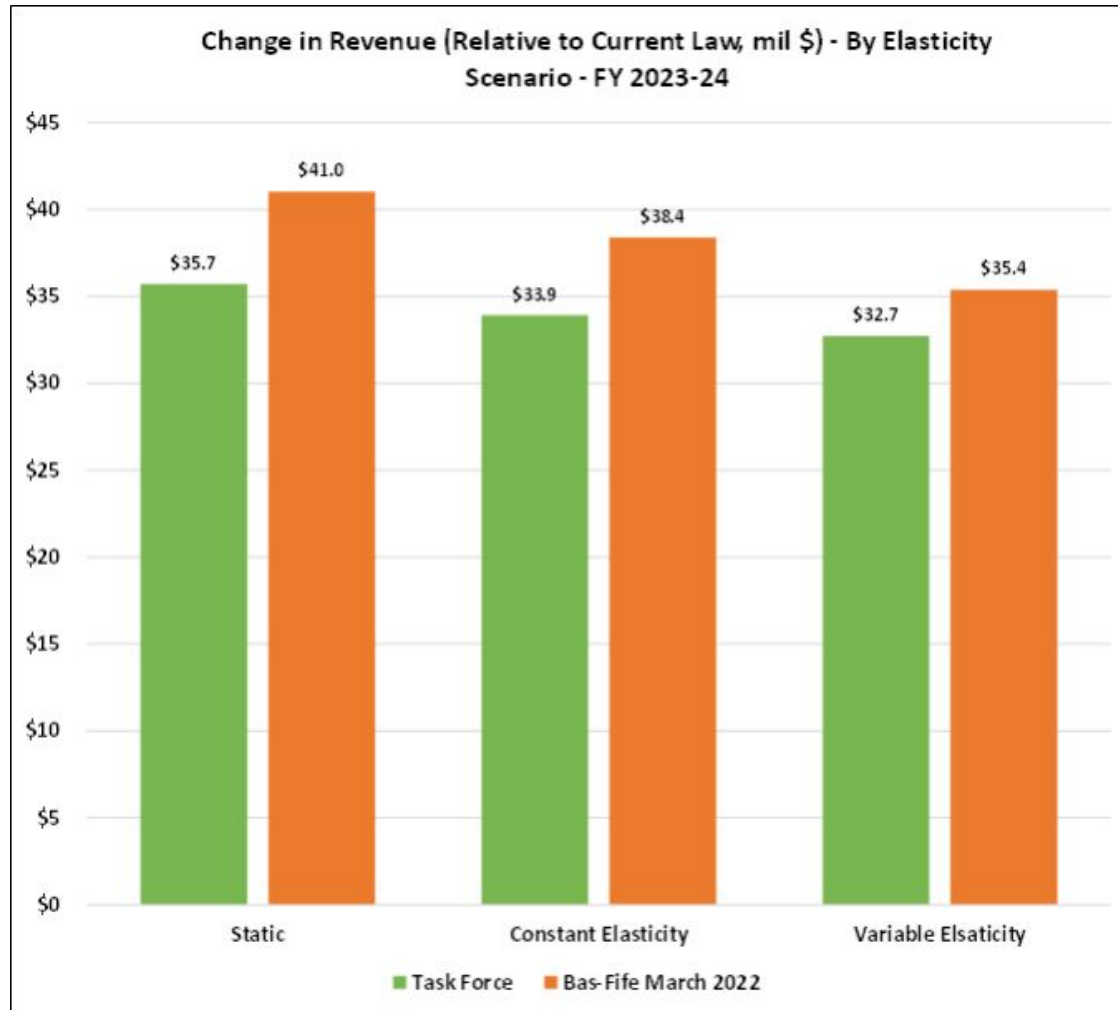
FAIR SHARE Business Tax

Small Business Relief

	CURRENT TAX	PROPOSED TAX	
	PER \$1,000	\$0-\$1M	\$1-\$2.5M
RETAIL SALES & RESTAURANTS	\$1.20	\$0.90	\$1.08
GROCERS	\$0.60	\$0.45	\$0.54
WHOLESALE	\$1.20	\$1.08	\$1.14
BUSINESS/PERSONAL	\$1.80	\$1.62	\$1.71
PROF/SEMI	\$3.60	\$3.24	\$3.42
HOTEL, MOTEL	\$1.80	\$1.62	\$1.71
MANUFACTURING	\$1.20	\$0.90	\$1.20

Fiscal Analysis

Approximately \$40M in Additional Annual Revenue



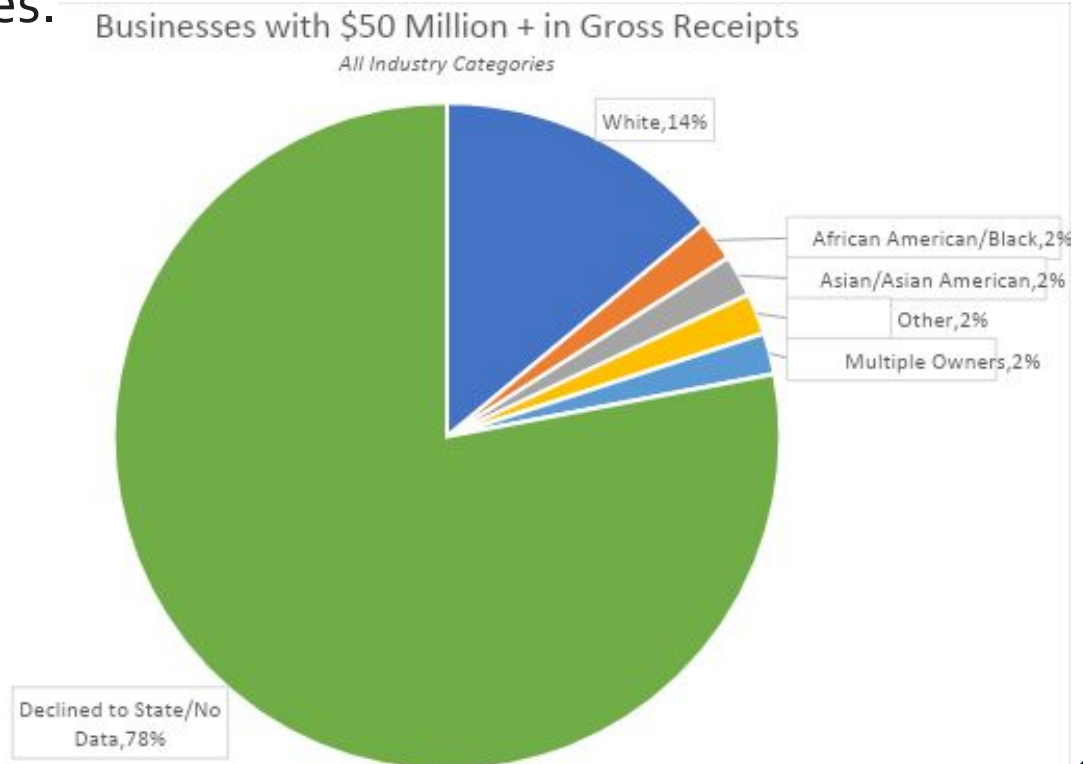
Equity Analysis

The proposed structure is, at its core, an equity reform. It would update the City's current flat tax into an equitable, progressive, tiered tax system, where smaller businesses pay less taxes, while larger businesses pay more. It would protect and add resources to vital city services for residents and businesses in Oakland, provide needed tax relief to Oakland's smallest businesses, and make the City's local business tax structure fairer to everyone.

Equity Analysis

Demographic data from the Finance Department is incomplete — 40% of businesses decline to state demographic information, and many of these are larger businesses.

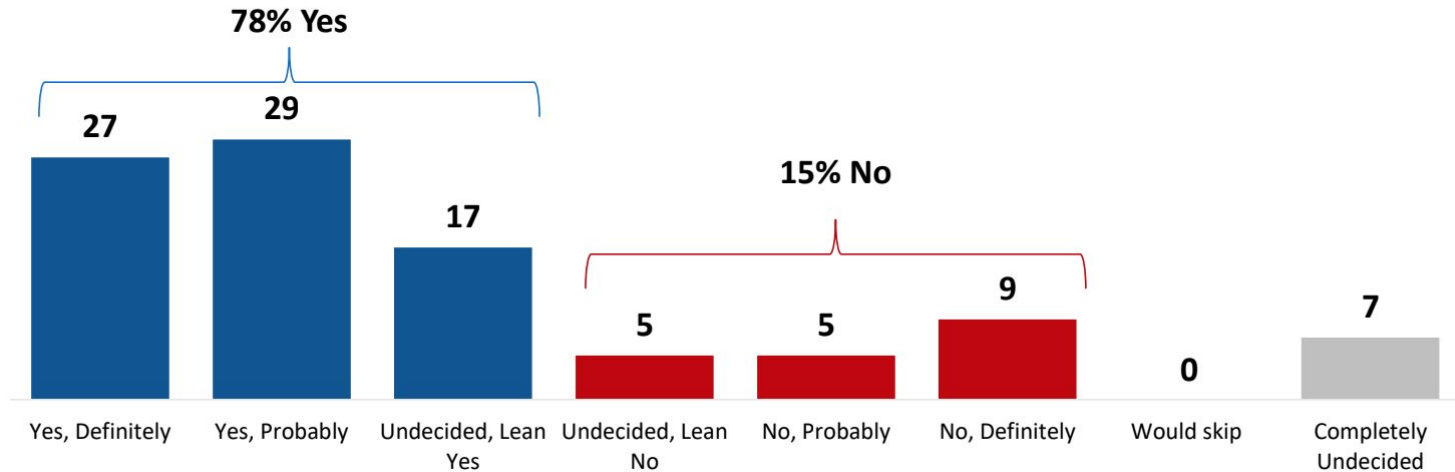
78% of businesses with \$50M+ in revenue decline to state race & ethnicity of owner/CEO.



Oakland Residents Overwhelmingly Support an Equitable & Progressive Business Tax

Version A: Over three-quarters support the higher revenue option after a simple explanation of the measure.

This measure would change the way businesses are taxed on the revenue they receive, known as a gross receipts tax. Currently, all businesses in Oakland are charged the same tax rate, no matter how much revenue they receive. This measure would revise the system to create a progressive tax structure, where the tax rate is higher for businesses receiving the most revenue, with the highest rate reserved for businesses making over \$50 million in revenue per year. Businesses with revenue below \$250,000 would pay no gross receipts taxes. The City of Oakland would receive \$48 million annually in new revenue to fund city services, such as public safety, street repair, and park maintenance.



2020 poll; New poll will be conducted.

FAIR SHARE Business Tax

An Equitable Recovery

- Rather than making budget cuts year after year, the City should ***raise revenue***, so it can increase its staffing capacity and provide improved services to its businesses and residents.
- Our priorities for Oakland: ***support small businesses, fix our streets, clean up trash***, address the ***homelessness crisis***, and improve ***fire and community safety*** services.
- By acting now and reforming Oakland's business tax to make it more ***equitable***, we can make sure that communities and small businesses ***thrive as the economy recovers***.

FAIR SHARE Business Tax

Discussion and Feedback

- Effective date and implementation — Hear staff feedback
- Discussion and feedback