



Proposed Business License Tax Ballot Measure

City Manager's Office
City Council Meeting
July 22, 2024
Stephen Parker,
Assistant City Manager

Background: Business License Tax

- Unclear when City began taxing business licenses, but likely more than 50 years ago
- City Council increased tax by 50% in 1978
 - Increase was in response to the passage of Proposition 13
- Most recent modification was 1994
 - No modifications in the 30 years since, both in language and tax rate

Why modernize?

- City's business license tax has an outdated structure with higher initial rates and a cap
 - Largest businesses (over \$100 million in gross receipts) pay same rate (\$864) as those with just \$1.4 million
 - Small businesses with \$100,000 in gross receipts pay a tax rate 163 times higher than the largest businesses
- Total Upland business license revenue is currently \$1.2 million and goes to the General Fund
- Increasing business license tax would provide additional revenue that can fund local services like:
 - Police officers who respond to crime
 - Public works employees who clean and maintain public areas
 - Funding for street and sidewalk repairs

Ballot Measure's Proposed Revisions

1. Reducing minimum tax from \$54 to \$50 (subject to annual CPI increase not to exceed 5%)
2. Increasing annual gross receipts threshold before any tax above \$50 minimum is due (from \$20,000 to \$100,000)
3. Raising cap on business license taxes paid from \$864 to \$29,500 (subject to annual CPI increase)
4. Streamlining the municipal code:
 - Removing fees for number of employees
 - Removing exclusions for alcohol sales
 - Removing flat tax callouts for circuses, public utilities, massage technicians, arcade games, dancing clubs, canvassers and taxicabs
 - Removing references to outdated professions like chirothesiast, lapidary and oculist

Ballot Measure's Proposed Revisions, Con't

5. Establishing a license tax rate schedule based on annual gross receipts (above the first \$100,000) by business type:

Business Type	Tax Rate
Retail/General Commercial	0.075% of gross annual receipts
Contractor	0.2% of gross annual receipts
Rental, Commercial or Residential	0.3% of gross annual receipts
General Service (nonprofessional or semiprofessional) (e.g. hair and nail salons)	0.17% of gross annual receipts
Professional or Semiprofessional Service	0.175% of gross annual receipts

Effects of Business License Modernization

Business Gross Receipts	Under \$100,000	\$100,000 – \$1 million	Over \$1 million	Total
Number of businesses	3,083	2,040	596	5,719
Current BL tax paid	\$281,554	\$493,269	\$456,065	\$1,230,888
Estimated BL tax paid with Ballot Measure	\$154,050	\$1,110,407	\$3,265,708	\$4,530,165
Businesses with decrease	2,930 (95%)	618 (30%)	18 (3%)	3,566 (62%)
Current percent of tax paid	23%	40%	37%	100%
Estimated percent of tax paid with Ballot Measure	3%	25%	72%	100%

RECOMMENDATIONS

That the City Council:

1. Adopt a Resolution calling for the placement of a Business License Tax Measure known as the “Upland public safety, streets, city services measure” on the November 5, 2024 General Municipal Election Ballot for submission to the qualified voters;
2. Adopt a Resolution requesting the Board of Supervisors of the County of San Bernardino to consolidate a General Municipal Election to be held on November 5, 2024 with the Statewide General Election to be held on that date pursuant to §10403 of the Elections Code;
3. Adopt a Resolution providing for the filing of primary and rebuttal arguments and setting rules for the filing of written arguments regarding a city measure to be submitted at the November 5, 2024 General Municipal Election



QUESTIONS?
