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# BUSINESS LICENSE TAX MEASURE

## FREQUENTLY ASKED QUESTIONS

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### 1. What types of businesses are impacted by the proposed Business License Tax changes?

- **Professional Services:** Includes businesses where revenue is generated based on professional expertise, such as legal, medical, or consulting services.
- **Construction Contractors:** Businesses involved in construction work.
- **Peddlers or Solicitors & Transportation of Persons:** Businesses involving mobile sales or transport services.
- **Temporary Businesses:** Short-term or event-based business operations.
- **Rental Properties:** Businesses involved in renting out short-term or long-term residential properties.
- **General Business:** All other businesses not specifically categorized, including services, manufacturing, warehousing, and entertainment.

### 2. What are the changes to the tax rates for these business categories?

- **Professional Services:** The tax per associate fee increases from \$226 to \$275.
- **Construction Contractors:** The tax shifts from a flat rate to 0.18% of the valuation of work.  
For example, a project to build a new deck with a project valuation of \$50,000 will have a business license tax of \$90. This will cover all contractors and sub-contractors on the project over the length of project (even if it's multiple years).
- **Peddlers or Solicitors & Transportation of Persons:** Updated to include a per vehicle charge plus the current per employee rate. For peddlers and solicitors the vehicle charge is \$250 and for Transportation of Persons the vehicle charge is \$377.25
- **Temporary Businesses:** The daily tax increases from \$75.25 to \$150, aligning with neighboring cities.
- **Rental Properties:**
  - **Short-Term Rentals (STRs):** Tax increases from \$113.50 base + \$8/unit to \$150 base + \$10/unit.  
For example, a hotel with 50 rooms will have an annual business license tax of \$650.
  - **Long-Term Residential Rentals:** \$50 per unit.
- **General Business:** The tax per employee shifts from a base rate of \$113.50 and \$23 per employee to base rate of \$150 plus a progressive per employee rate shown in the following table:

Employees	Rate
0-9	\$30
10-99	\$45
100+	\$55

For example, a general business with 50 employees will have an annual business license tax of \$2,265 ( $\$150 + 9 * \$30 + 41 * \$45$ ).

### 3. What does per employee and per associate mean?

- **Per Employee:** The employee definition has been updated to include independent contractors and “gig” employees (employees for whom the company files a 1099 instead of a W-2).
- **Per Associate:** For all detail, please see Municipal Code – 6.16.120. However, the most common business types are:  
Accountant, attorney, chemist, chiropractor, dentist, engineer, finance company, insurance broker, real estate broker, physician, design professional, computer programmer.
  - **Who is charged?**  
(b)(2) “each person participating as an associate, partner or member of the professional corporation”  
The rate does **not** apply to administrative and support staff.

### 4. Are there any new exemptions or penalties introduced?

- **Exemptions:** Businesses earning less than \$500 annually are exempt from the tax but still need to file for a license.
- **Penalties:** A monthly penalty of 10% for late payments, capped at 100% of the original tax amount, replaces the previous flat penalties.

### 5. What is the expected overall impact on tax revenue?

- The proposed changes are expected to increase the total revenue by approximately \$2.6 million, a substantial increase driven largely by adjustments in the professional services and construction contractor categories.

### 6. What is the Tax Cap?

- A Tax Cap is the maximum amount of Business License Tax that a business could pay each year. In the proposed update, there will be no Cap.

### 7. When is the effective day for the new Business License Taxes?

- The Measure is placed on November 2024 ballot seeking voter approval of the proposed Ordinance (Business License Tax Update)
- The Ordinance would only become effective if approved by a simple majority (50% +1) of the voters voting in favor of the measure at November 2024 election ballot.
- The new rates and structure would be effective January 1, 2025, applying to the 2025 annual business license tax (due by January 31, 2025). The first CPI increase would apply to all demonstrated rates for January 2026.