

July 2, 2020

To: Councilmembers Bas, Kalb, and Thao

Re: Outstanding questions on proposed business license tax ballot measure

Dear Council Members;

Please see the below questions from members of Oakland's business community regarding the ballot measure to overhaul Oakland's Business License Tax to be heard at Rules Committee on July 7. Most of these questions have been asked previously. We request a written response by the July 7 hearing date as well as for the authors to make public the *entire* study conducted by Beacon Economics as well as the analysis conducted by Goldman School of Public Policy students on Oakland BLT.

Requested Clarifying Information

1. Can you provide a draft apportionment guide for all classifications? This is just as critical to be made public as the rates.
2. Can you release a draft business tax computation worksheet so impacted businesses can assess their potential increase or decrease?
3. What is the formula and method for calculating gross receipts under the new proposal? Can the authors provide examples for each new proposed tax category and how that differs (if at all) from the current system?
4. Taxes are paid in March for the previous tax year. For which *tax year* will this be effective (as opposed to the effective date of the ordinance)?
5. What is the formula and method for calculating raw materials deduction for manufacturing under the new proposal? Are labor costs included? Can the authors provide an example?
6. Which - if any - of these tax rates are marginal?
7. Does the definition of a public utility include the Port of Oakland?
8. The Port of Oakland bundles and remits their tenant's electricity user fee to the City. The measure says it's not a sales or use tax. If the Port of Oakland's gross receipts is based on the volume of electricity sales and overall "use," how is that not a user fee? The gross receipts model also does not consider the Port's cost to purchase the electricity and maintain the infrastructure.
9. How will related entities be determined in the "master certificate" process?
10. Businesses that submit bids to the city or county for projects include the estimated tax liability generated by the project in the bid. For those that have already been submitted, would this proposal make allowances for that or will those businesses be expected to absorb the cost?
11. How will salons be classified? Salons that also sell products?
12. Are employee tips included in gross receipts under proposed new calculations? Currently they are for salons, which inflates gross receipts.
13. Are revenues that go toward credit card service fee included in gross receipts under proposed new calculations? Currently, they are which inflates gross receipts.

14. How are franchises treated in this proposal given that they are independently owned but affiliated with larger networks?
15. Does this proposal make any changes to the flat \$95 business registration fee?

Requested Data and Analysis

16. Can the authors provide a breakdown of the number of businesses in Oakland in each current and proposed tax category?
17. Can the authors provide an analysis of BLT revenue to the City of Oakland by tax categories and gross receipts, over time since 2005 to current day in order to gain a clearer picture of how revenues behave before, during, and after recessions?
18. Can the authors provide a table including the effective tax rate increase for businesses being consolidated from one category into another since the proposal moves Oakland from 17 categories to 7 as well as outline the current apportionment method and any proposed changes?
19. How many of the existing 17 categories are seeing a shift in the method of calculation and apportionment (i.e. payroll or number of employees to gross receipts) and what are the anticipated impacts?
20. How much revenue would have been collected from businesses with gross receipts under \$250,000 under this proposal if they weren't exempted? Under \$500,000? Under \$1 million?
21. Can the authors provide a side-by-side analysis of this proposal with the taxes of competing jurisdictions including Berkeley, Emeryville, San Leandro, Fremont, San Jose, San Francisco and South San Francisco?

Policy and Process Questions

22. How did the authors arrive at the definition of a small business? If the proposal is modeled after San Francisco, why is the small business exemption just \$250,000? A quarter of San Francisco's \$1 million small business exemption, which it is increasing to \$1.5 million.
23. San Francisco is considering a gross receipts ballot measure that lowers the taxes of COVID-impacted sectors and ties future increases to an economic trigger - currently proposed to be the unemployment rate. COVID impacted industries include: Manufacturing, retail, personal services and laundry, food services, accommodations, and arts/entertainment/recreation. San Francisco's proposal also phases in larger increases based on the unemployment rate for administrative headquarters and information.
24. San Francisco - which this is supposedly modeled after - has several categories that base their rates in part gross receipts and part payroll. Why was this not included in Oakland?
25. Have the authors considered targeted tax breaks to businesses or sectors located in neighborhoods in need of services like grocery stores, banks, retail, and other investment?
26. What is the estimated cost in city staff time to administer this proposal above the current structure?
27. How many times has this proposal been presented at the City of Oakland's COVID Economic Recovery Working Group meetings? What was the feedback?
28. Why is the proposal modeled after San Francisco when Oakland has a very different economic base? Can the authors provide a comparison of the two cities' businesses and economies. For

example, Oakland has much more manufacturing than San Francisco but far less tech companies, among many other differences.

29. Why were NAICs codes chosen as classifications given that they were created decades ago by the IRS and do not have current industry updates?
30. How will future classification changes be handled? Does Council or the Administration have the ability to reclassify a business?
31. What specific sectors of Oakland's economy - for businesses of any size - is this proposal meant to stimulate?
32. Have the authors considered implementing a value-added tax, which reduces costs to consumers and businesses as well as generate revenue?
33. How many businesses have the authors presented the proposal to (outside of Chambers, BIDs, merchant groups etc.) and what is the outreach strategy?
34. The Goldman School analysis included in the authors' memo recommends explicitly tying the proposal's increase in revenue to increases in staffing for:
 - a. Homelessness prevention and services
 - b. Street and sidewalk maintenance; beautification
 - c. Emergency response timeliness and appropriatenessHow do the authors plan to do this and could item c. include an increase to the OPD budget?

Sincerely,

Barbara Leslie
President & CEO

CC:
Councilmembers Gallo, Reid, McElhaney, Taylor, and Kaplan
Office of Mayor Libby Schaaf
Ed Reiskin
Adam Benson
Alexa Jeffries
Budget Advisory Commission
Oakland African American Chamber
Oakland Chinatown Chamber
Oakland Vietnamese Chamber
Oakland Latino Chamber
Oakland BID Alliance