



Business Taxes & Perception of City Services In Oakland

Goldman School of Public Policy
Individual Policy Analysis Project

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Roadmap

1. Problem Overview and Research Questions
2. San Francisco vs. Oakland business tax structure
3. Interviews and surveys of Oakland business owners
4. Recommendations



1. Problem Overview

The City of Oakland does not have enough funding to sufficiently staff city services for businesses and residents of Oakland.



Research questions:

- What could Oakland do differently with its business taxes?
- How can San Francisco inform changes to Oakland's business tax structure?
- How do Oakland businesses interact with city services?
- What do Oakland business owners think about city services?

2. Comparing Oakland and San Francisco's business tax structure



Oakland's business tax system is very complicated

- Oakland has 17 separate tax categories
- Categories were defined in city charter decades ago
- San Francisco has 7 categories
 - Business types grouped together logically
- Based on NAICS codes
- Enacted in 2012



Oakland's gross receipts tax structure

- Nearly all businesses regardless of gross receipts pay a **flat tax rate**
 - *Very* small businesses pay a flat amount
- Disproportionately affects small businesses

SF implemented a progressive gross receipts tax and additional taxes on very large businesses

	Oakland	San Francisco
Gross Receipts	✓	✓
Payroll		✓
Commercial Rents		✓
Homelessness Gross Receipts - \$50 million+		✓

Note: Though most categories use gross receipt to tax, in Oakland and SF Admin HQ uses payroll and in Oakland Limo/Ambulance/Taxis use number of vehicles/permits.

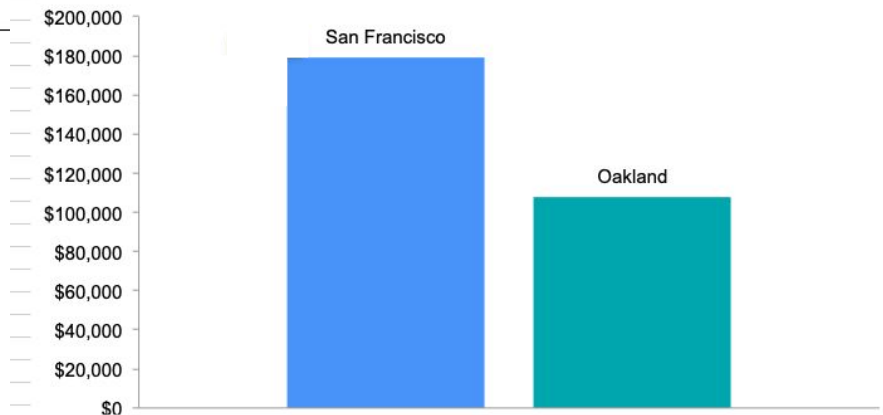
A Comparison tool

Input your business information here	
<i>Business Type</i>	Professional, scientific, and technical services
<i>Gross Receipts Range</i>	\$25,000,001-\$50,000,000
<i>Input Total Payroll Expense</i>	\$10,000,000.00
<i>Input Warehouse Rent Received</i>	\$0.00
<i>Input Other Commercial Rent Received</i>	\$0.00
<i>(Optional) Input Gross Receipts</i>	\$30,000,000.00

Oakland	
Your tax category is Professional/Semi-Professional Services.	
You'd pay \$60 in tax on your first \$16,666 in gross receipts. After that, your tax rate is 0.36%.	
You would pay \$108,000 in gross receipts tax.	
San Francisco	
Your tax category is Financial Services; Insurance; and Professional, Scientific and Technical Services.	
You would pay \$114,400 in tax on your first \$25,000,000 in gross receipts. After that, your gross receipts tax rate would be 0.56%.	
You would pay \$142,400 in gross receipts tax.	
You would pay \$36,784 in payroll tax and \$0 in commercial rents tax.	

- To calculate estimated business taxes in SF vs. Oakland

Estimated business tax



A large contractor pays more than double in gross receipts in SF than in Oakland

Gross Receipts Taxes Paid
(Contractor with \$30M gross receipts)



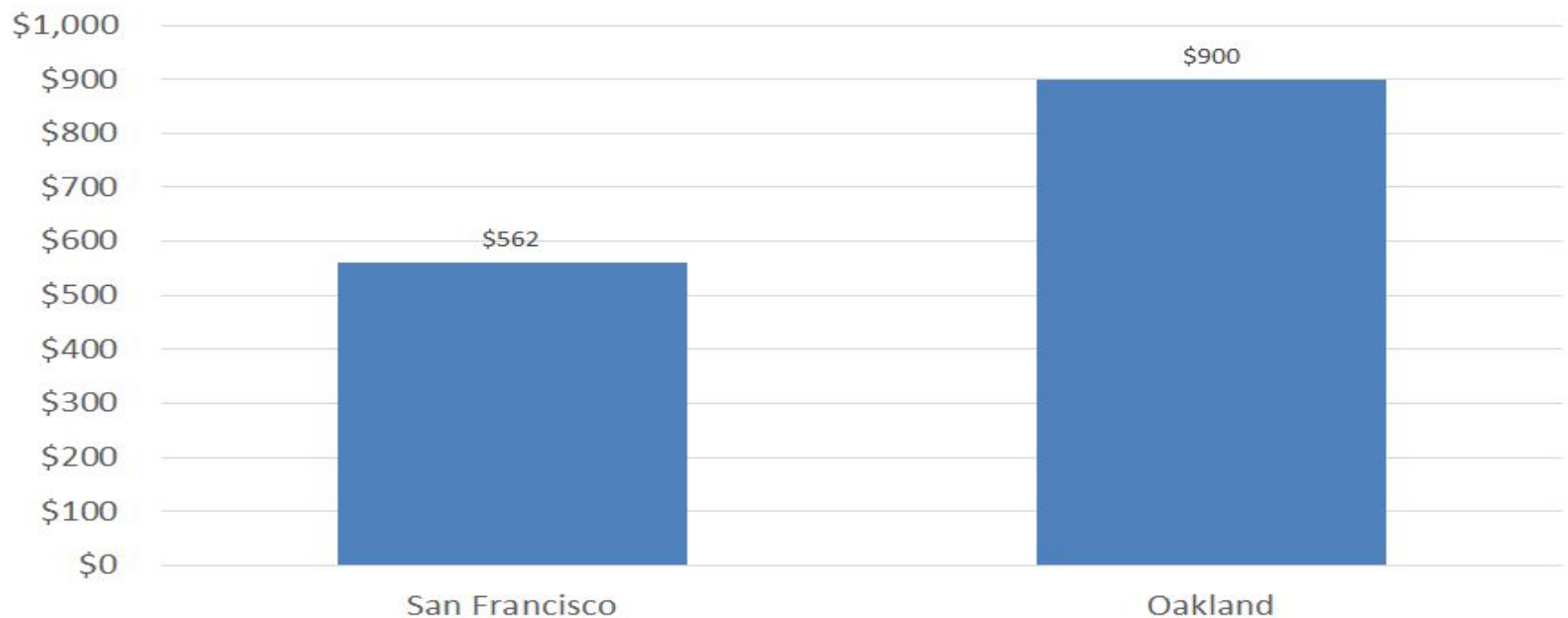
Large tech companies also pay more in SF than in Oakland

Gross Receipts Taxes Paid
(Tech company with \$30M gross receipts)

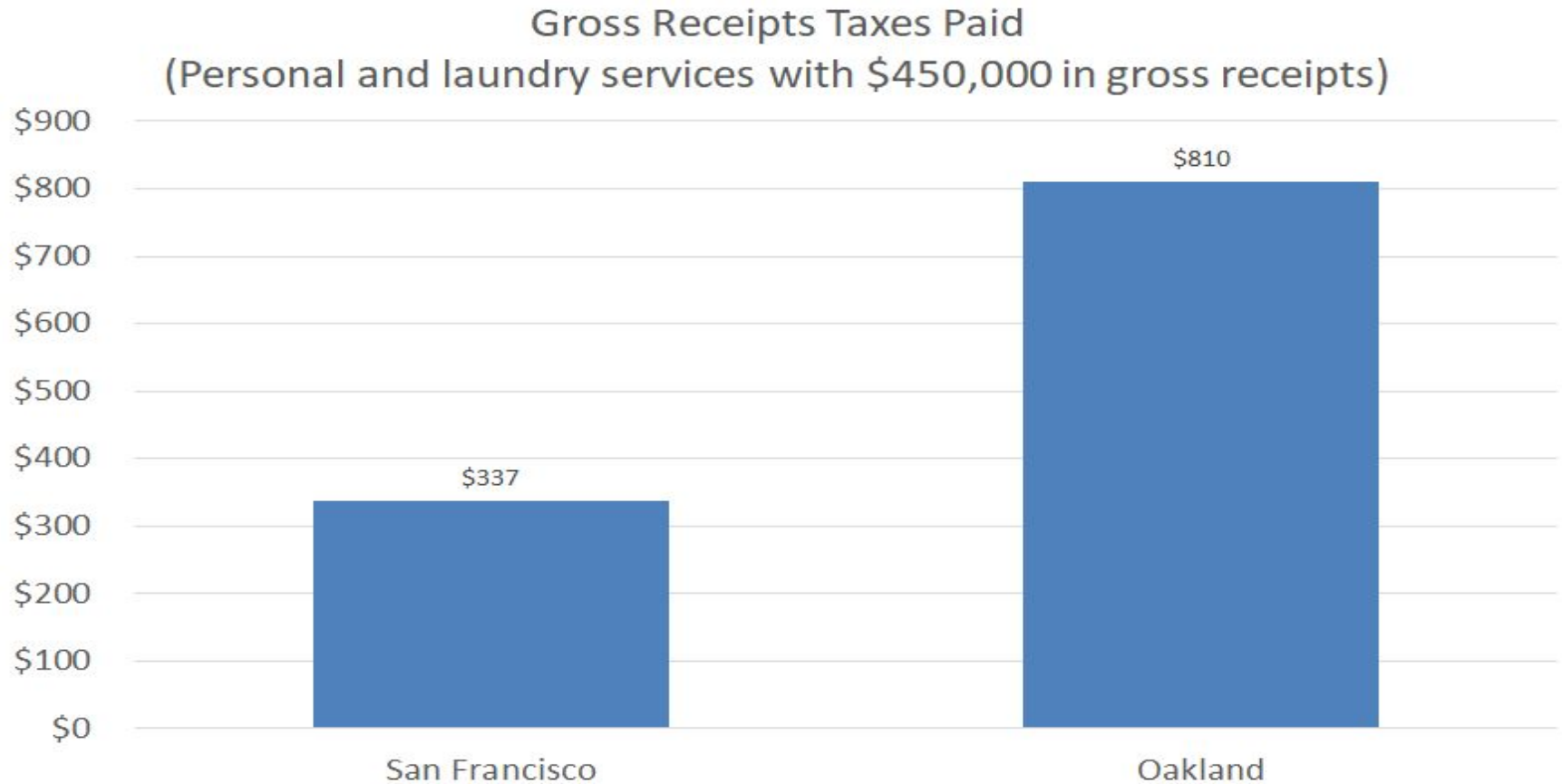


However, small retailers pay more in Oakland than in SF

Gross Receipts Taxes Paid
(Retailer with \$750,000 in gross receipts)



And very small laundry services are paying more than double the gross receipts in Oakland than in SF



Small businesses represent the vast majority of Oakland businesses





3. What the small business community thinks

About taxes, city services, and staffing



Interview and survey methodology

- A dozen interviews with small business owners and BID/Chamber of Commerce leaders
- Online survey of business owners (59 responses)

Highest-priority services

Service	Criteria			Ranking	
	(1) Importance	(2) Service Dissatisfaction	(3) Improvement Priority	(1) + (2) + (3)	Priority Ranking
Homelessness Crisis	3	1	1	5	1st
Maintenance	2	3	2	7	2nd
Public Safety	1	3	4	8	3rd



Homelessness

- Varied opinions of root cause
- Consensus that urgency is high and city is failing to address the crisis

Maintenance

- Seen as important for profitability
- Dissatisfaction → BIDs
- Confidence that more staffing would help



Public safety

- Seen as *essential* for profitability
- Break-ins, slow police response times especially salient
- Confidence that more staffing would help

Other services

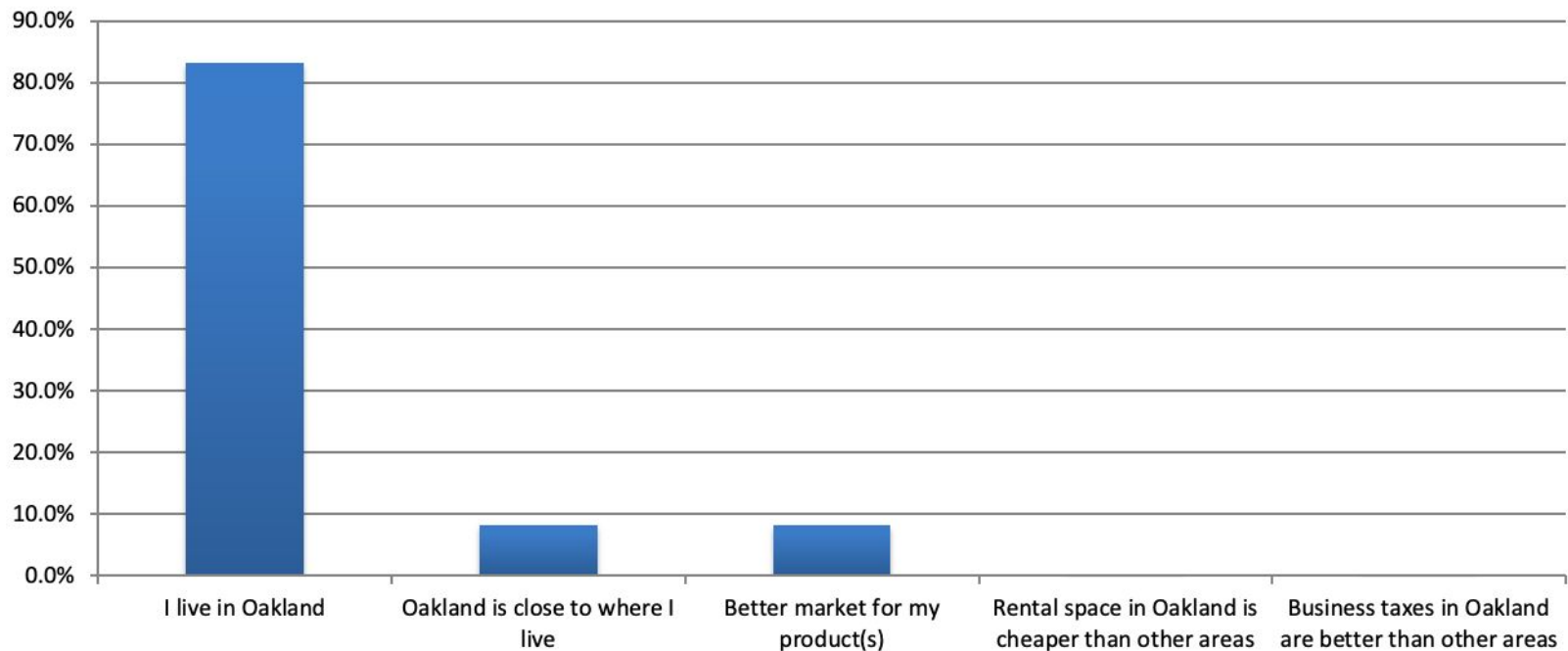
Service	(1) Importance	(2) Service Dissatisfaction	(3) Improvement Priority	(1) + (2) + (3)	Priority Ranking
Addressing Homelessness	3	1	1	5	1
Maintenance	2	3	2	7	2
Public Safety	1	3	4	8	3
Housing Affordability	5	2	3	10	4
Economic Development	3	5	5	12	5
Admin. Services	6	5	7	18	6
Parking	7	7	6	20	7



What does the business
community think about taxes?

Taxes do not play a role in whether businesses choose to locate in Oakland

What factors contributed to locating your business in Oakland?



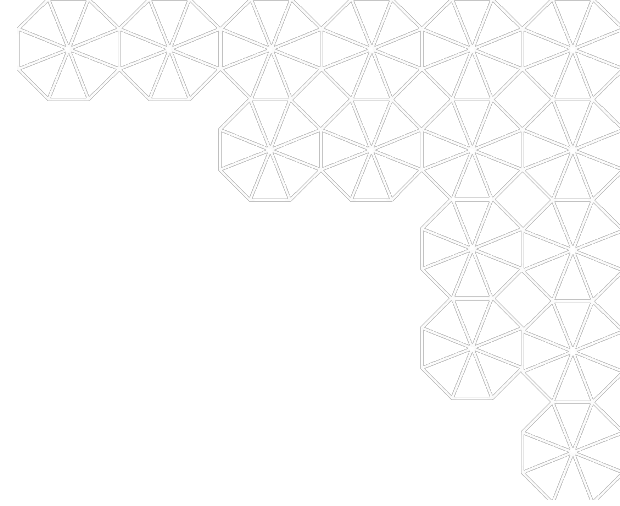
However, there were recurring complaints regarding add-on taxes and fees

- Many business owners did not know they were obligated to pay certain taxes/fees, which raised issues of transparency
- Bigger impact on smaller businesses → thinning margins
- Examples: fire inspection fees, alarm fees, sugar sweetened beverage tax, litter fees

“No one tells you about these taxes and fees before you open up”

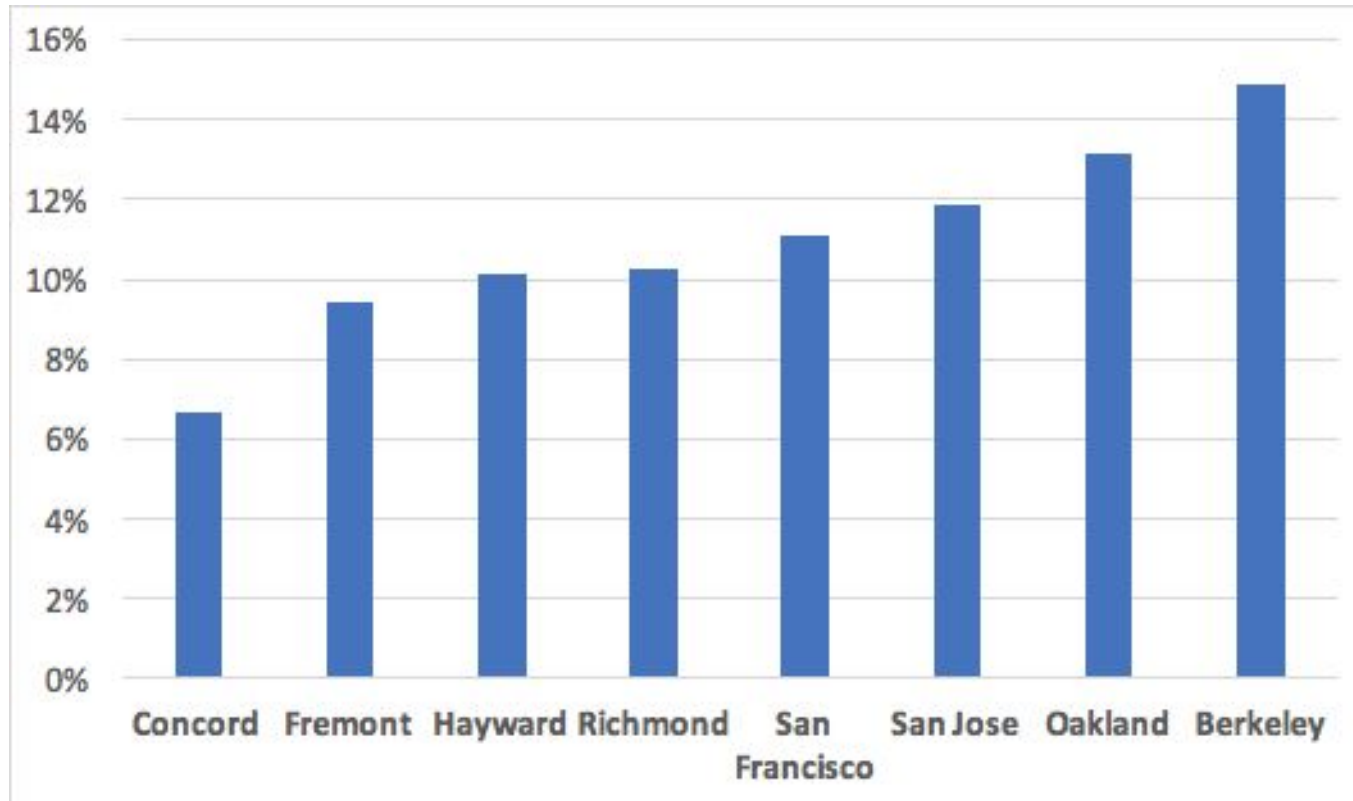
- Business Owner for 40 years in Oakland

What does the business
community think about
staffing?



In regards to city jobs, Oakland has the 2nd highest vacancy rate in the Bay Area...

City Jobs Vacancy Rates for Oakland and Surrounding Cities



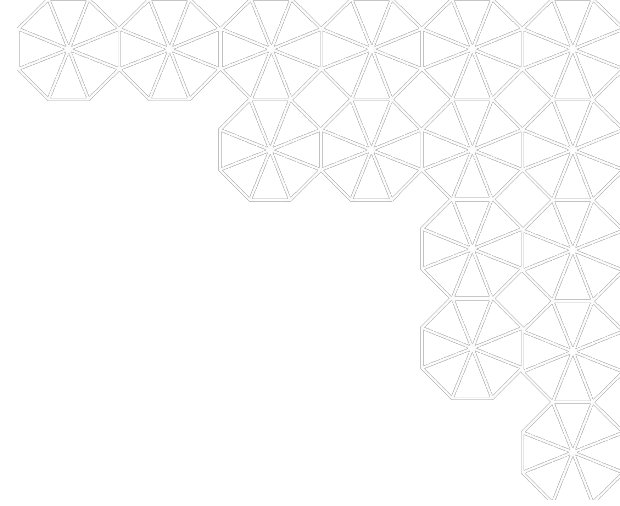
Source: City of Oakland vacancy report, Human Resources Management Department, (April 2019)



..and businesses believe that all city services will be improved by increased staffing.

- 91% of businesses said that public safety and maintenance would improve if staffing is increased
- Some prefer investment in staff training, rather than just increase hiring
- 25% of businesses believe that increase staffing in admin services & parking and transportation would have no impact, which can be attributed to mistrust in those services

4. Findings & Recommendations



Taxation: Findings and Recommendations

Findings:

- Business tax structure is **complicated** and **not progressive**.
- Gross receipts tax rate is **not central** to businesses' decisions to open and operate.

Taxation: Findings and Recommendations

Recommendations:

- Shift to fewer categories based on **NAICS classifications**
- Shift to a **more progressive tax system**

Services: Findings and Recommendations

Findings:

The business community prioritizes

- Homelessness
- Maintenance
- Safety



Services: Findings and Recommendations

Recommendations:

Explicitly tie increase in staffing to:

- Homelessness prevention and services
- Street and sidewalk maintenance; beautification
- Emergency response timeliness and appropriateness

Trust: Findings and Recommendations

Findings:

- Businesses are often mistrustful of the City
- They may not believe that an increase in taxes will lead to improved services



Trust: Findings and Recommendations

Recommendations:

- Improve transparency
- Target outreach to/for the business community
- Improve service access

Questions?

