



AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Erin Roseman
Director of Finance

SUBJECT: Fiscal, Economic & Administrative
Impacts from Proposed Changes to
Business Tax Structure

DATE: April 18, 2022

City Administrator Approval

Date: Apr 18, 2022

RECOMMENDATION

Staff Recommends That The City Council Receive An Informational Report Regarding The Possible Fiscal, Economic And Administrative Impacts From Several Proposed Ballot Measures That Would Change The Oakland's Business License Tax Structure.

EXECUTIVE SUMMARY

This report provides the possible fiscal, economic, and administrative impacts to the Business License Tax (BLT) structure that are projected to result from voter approval of each of the following five (5) proposals, which include two citizen initiatives, two City measures, and the Blue Ribbon Task Force recommendations:

1. The 2020 City Council Tax Measure previously approved for placement on the November 2022 ballot ("Proposal A")
2. The recommendations of the Blue Ribbon Equitable Business Tax Task Force for a Tax Measure for the 2022 November ballot ("Proposal B")
3. The 2022 Tax Measure proposed by Councilmembers Bas and Fife for the 2022 November ballot ("Proposal C")
4. The voter initiative "The Invest in Our Oakland Small Business Tax Fairness Act" proposed for the November 2022 ballot ("Proposal D")
5. The voter initiative "The Progressive & Equitable Oakland Business Gross Receipts Tax Ordinance" proposed for the November 2022 ballot ("Proposal E").

All proposals would change the business tax structure from a fixed rate to a tiered, progressive tax rate that has tax brackets in which the tax rate increases as the taxable amount increases.

These proposals have different tax brackets and tax rates, with proposal B, C and D having an additional administrative headquarters tax levied on businesses with more than 1,000 employees nationally and \$1 billion in revenue.

FIGURE 1: SUMMARY OF FISCAL AND ECONOMIC IMPACTS FOR THE FIVE PROPOSALS

	Proposal A	Proposal B	Proposal C	Proposal D	Proposal E
Estimated Revenue Raised (\$M)	\$30.5	\$32.7	\$35.2	\$35.2	\$10.6
<i>Businesses with Tax Decrease:</i>					
% of Businesses in Affected Sectors	69.9%	83.2%	82.4%	83.2%	39.0%
Avg Change per Business (\$)	(\$138)	(\$62)	(\$62)	(\$62)	(\$56)
Avg Change per Business (%)	(33%)	(10%)	(10%)	(10%)	(24%)
Estimated Revenue Decrease (\$M)	(\$2.4)	(\$1.3)	(\$1.3)	(\$1.3)	(\$0.5)
<i>Businesses with Tax Increase:</i>					
% of Businesses in Affected Sectors	29.3%	6.0%	6.5%	5.6%	10.3%
Avg Change per Business (\$)	\$5,069	\$24,739	\$25,769	\$29,984	\$4,479
Avg Change per Business (%)	91%	107%	121%	121%	29%
Estimated Revenue Raised (\$M)	\$32.9	\$34.0	\$36.4	\$36.4	\$11.1
Top Ten Business Share of Revenue	18.1%	22.0%	24.7%	24.7%	14.0%
Top Ten Business Avg Increase (\$M)	\$1.0	\$1.3	\$1.7	\$1.7	\$0.3

With all proposals, it is important to note several macroeconomic factors which could prevent revenue estimates from being realized. These include important factors that relate to local economic conditions: the increase in inflation, the aftereffects of the Covid-19 pandemic, the ongoing geopolitical instability in Europe, and the business response to such factors.

BACKGROUND / LEGISLATIVE HISTORY

On June 18, 2020, Councilmembers Fortunato-Bas, Kalb and Thao brought forth a progressive tax ballot measure to revise the City's business license tax structure.

On July 14, 2020, City Council adopted Resolution No. 88227 C.M.S., to: 1) place the measure on the November 8, 2022 ballot in the City's General Municipal Election, and 2) create an 11-member Blue Ribbon Equitable Business Tax Task Force to gather extensive community and stakeholder engagement and input, and deliver to the Council by October 31, 2021 "a comprehensive recommendation for a modernized progressive business tax structure that achieves the City's goals for revenue enhancement, reduction of race and equity disparities, tax code modernization, equitable economic development, and living wage job creation."

On October 21, 2021, the Blue Ribbon Equitable Business Tax Task Force completed its work and issued a report titled, City of Oakland Blue Ribbon Equitable Business Tax Task Force Analyses and Recommendation (“Task Force Report”).

On January 4, 2022, staff issued an informational report providing additional analysis of information in the Task Force report and suggested other factors to consider when making changes to the Business License Tax structure.

On January 18, 2022, the City Council received and filed the Task Force report.

On February 23, 2022, The City Clerk’s office issued a City Attorney title and summary to proponents of a voter proposed ballot initiative, titled “Proposed Ordinance Repealing and Replacing the Business Tax Ordinance, Allocating the Revenue Increases for Restricted Purposes and Creating an Oakland Business Tax Commission.

On March 1, 2022, the City Clerk’s office issued a City Attorney title and summary to proponents of a voter proposed ballot initiative titled “Proposed Ordinance Repealing and Replacing the Business Tax Ordinance, Imposing Progressive Increases in the Tax Rates for Businesses Based on the Amount of their Gross Receipts, and Eliminating the Five-Year Exemption from Taxes for Construction or Major Renovation of Property Leased for Commercial or Industrial Use.

On March 17, 2022, Council President Fortunato Bas and Councilmember Fife proposed a new tax measure that amended the 2020 tax measure that the Council had placed on the November 2022 ballot.

On March 31, 2022, the Rules Committee directed the City Administrator to prepare a report on the fiscal and other impacts of the proposed City measures and initiatives if voters were to approve any of them in November.

ELECTIONS CODE SECTION 9212

This report is presented pursuant to Elections Code Section 9212, which, among other things, authorizes a public agency legislative body to request a report addressing the fiscal and other impacts of voter initiatives during circulation of petitions for voter initiatives. Elections Code Sec. 9212.

(a) During the circulation of the petition, or before taking either action described in subdivisions (a) and (b) of Section 9215, the legislative body may refer the proposed initiative measure to a city agency or agencies for a report on any or all of the following:

- (1) Its fiscal impact.
- (2) Its effect on the internal consistency of the city’s general and specific plans, including the housing element, the consistency between planning and zoning, and the limitations on city actions under Section 65008 of the Government Code and Chapters 4.2 (commencing with Section 65913) and 4.3 (commencing with Section 65915) of Division 1 of Title 7 of the Government Code.

- (3) Its effect on the use of land, the impact on the availability and location of housing, and the ability of the city to meet its regional housing needs.
 - (4) Its impact on funding for infrastructure of all types, including, but not limited to, transportation, schools, parks, and open space. The report may also discuss whether the measure would be likely to result in increased infrastructure costs or savings, including the costs of infrastructure maintenance, to current residents and businesses.
 - (5) Its impact on the community's ability to attract and retain business and employment.
 - (6) Its impact on the uses of vacant parcels of land.
 - (7) Its impact on agricultural lands, open space, traffic congestion, existing business districts, and developed areas designated for revitalization.
 - (8) Any other matters the legislative body requests to be in the report.
- (b) The report shall be presented to the legislative body within the time prescribed by the legislative body, but no later than 30 days after the elections official certifies to the legislative body the sufficiency of the petition.

ANALYSIS AND POLICY ALTERNATIVES

The information presented in all of the analyses is in comparison to the baseline data presented in Figure 2.

FIGURE 2: NUMBER OF BUSINESSES AND GROSS RECEIPTS BY BUSINESS SIZE

	# of Businesses	% of Total	Gross Receipts (mil \$)	% of Total	Taxes Charged (mil \$)	% of Total
All Businesses*	53,133		\$25,169		\$91.1**	
By Business Size						
\$0 - \$250k	44,766	84.30%	\$2,062	8.20%	\$19.10	21.00%
\$250k - \$1 mil	4,845	9.10%	\$2,414	9.60%	\$11.60	12.70%
\$1 - \$2.5 mil	1,688	3.20%	\$2,639	10.50%	\$10.20	11.10%
\$2.5 - \$25 mil	1,389	2.60%	\$9,344	37.10%	\$31.30	34.30%
\$25 - \$50 mil	71	0.10%	\$2,510	10.00%	\$7.50	8.30%
Over \$50 mil	52	0.10%	\$6,200	24.60%	\$11.40	12.50%
Permit/payroll-based***	327	0.60%	N/A	N/A	\$0.10	0.10%
By Business Location						
Oakland (home-based)	30,838	58.00%	\$2,328	9.20%	\$23.10	25.30%
Oakland (not home-based)	15,132	28.50%	\$17,300	68.70%	\$57.00	62.50%
Outside Oakland	7,163	13.50%	\$5,542	22.00%	\$11.00	12.00%

*Includes all businesses that reported gross receipts or taxable permits or payroll for Tax Year 2020.

**Including fees and penalties, total amounts owed exceed \$90 million.

***Includes all Taxicab, Ambulance/Limousine, and Trucking/Transportation businesses, which pay business taxes based on permits issued or employees on payroll. Firms in these industries officially report \$0 of gross receipts.

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In FY 2019-20, more than 53,000 businesses paid taxes in Oakland. Of that total, 49,611 businesses (nearly 94 percent of all firms) reported less than \$1 million in gross receipts. Only 52 firms, (0.10 percent of the total), reported more than \$50 million in gross receipts, but these businesses accounted for 12.5 percent of total revenues, as shown in Figure 2 above.

FISCAL, ECONOMIC & ADMINISTRATIVE IMPACTS OF POTENTIAL NOVEMBER 2022 BALLOT MEASURES

In order to inform the City Council with respect to potential changes to the BLT, we have prepared an analysis of the fiscal, administrative and some economic effects of the 2020 and 2022 City measures, the two voter initiatives and the recommendations of the Blue Ribbon Committee as identified in Proposals A through E above.

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PROPOSAL A:

On July 14, 2020, the City Council adopted Resolution No. 88227 C.M.S. to, among other things, place a measure on the November 2022 ballot that would repeal and replace Chapter 5.04 the Oakland Municipal Code to revise the City’s Business License Tax structure.

The 2020 City Council Tax Measure previously approved for placement on the November 2022 ballot (“Proposal A”)

FIGURE 3: PROPOSAL A TAX RATES

	Current Law		Proposal Tax Rates by Bracket (Gross Receipts, mil \$)					
	Min Payment	Tax per \$1,000	Min Payment *	\$0 - \$1M	\$1M - \$2.5M	\$2.5M - \$25M	\$25M - \$50M	Above \$50M
Retail Sales	\$60	\$1.20	\$0	\$0.75	\$1.00	\$1.25	\$1.50	\$2.00
Auto Sales	\$60	\$1.20	\$0	\$1.25	\$2.25	\$3.25	\$4.25	\$5.25
Wholesale Sales	\$60	\$1.20	\$0	\$0.75	\$1.00	\$1.25	\$1.50	\$2.00
Manufacturing	\$60	\$1.20	\$0	\$1.25	\$2.25	\$3.25	\$4.25	\$5.25
Admin Headq	\$60	\$1.20	\$0	\$3.50	\$4.50	\$5.50	\$6.50	\$7.00
Media Firms	\$60	\$1.20	\$0	\$1.80	\$2.80	\$3.80	\$4.80	\$5.00
Miscellaneous	\$60	\$1.20	\$0	\$3.50	\$4.50	\$5.50	\$6.50	\$7.00
Grocers	\$60	\$0.60	\$0	\$0.60	\$1.00	\$1.25	\$1.50	\$2.00
Business / Pers Svcs	\$60	\$1.80	\$0	\$2.00	\$3.00	\$4.00	\$5.50	\$6.00
Contractors	\$60	\$1.80	\$0	\$3.00	\$3.50	\$4.00	\$4.50	\$5.00
Hotel, Motel	\$60	\$1.80	\$0	\$1.80	\$2.80	\$3.80	\$4.80	\$5.00
Prof/Semi-prof Svcs	\$60	\$3.60	\$0	\$4.00	\$4.50	\$5.00	\$5.50	\$7.50
Rec & Entertainment	\$60	\$4.50	\$0	\$4.50	\$4.60	\$4.70	\$4.80	\$5.00
Public Utility	\$60	\$1.00	\$50	\$1.80	\$2.80	\$3.80	\$4.80	\$5.00
			<i>No change to Taxi/Limo/Ambulance or Trucking/Transportation rates.</i>					
<i>Color Coding for Rate Increases:</i>			Decrease	No Change	1% to 100%	101%-200%	201%-300%	> 300%
* This proposal eliminates the minimum payment and also allows businesses with up to \$250,000 in gross receipts to pay a \$100 fee rather than the amount due based on the applicable gross receipts tax rate.								

Key Elements

- Tiered, progressive rate structure
- Creates 5 tiers (Tax Brackets) based on gross receipts
 - \$0-\$1M
 - \$1.M to \$2.5M
 - \$2.5M to \$50M
 - Above \$50M

- Varying Increasing amounts based on business sector
- Changes rates for 14 Business Categories
- Eliminates minimum payment for 17 business categories
- Creates a \$100 flat fee for businesses with gross receipts less than \$250,000

Overall Fiscal Impact**Service Impact**

To implement a tax change, there is a necessary implementation period. The Finance Department has analyzed the proposal and determined that the implementation period for Proposal A would be 18 to 24 months based on the added complexity of the tiered tax structure for 14 different business categories. The implementation cost is estimated at \$2,400,000 over a 24-month period, with \$1,900,000 being one-time and \$500,000 being on-going.

Category	FY21-22	FY22-23	FY23-24	FY24-25	Totals
Staffing -Limited Duration	-	-	750,000.00	750,000.00	1,500,000.00
Staffing -Permenant	-	-	-	450,000.00	450,000.00
Technology & Supplies	-	200,000.00	200,000.00	50,000.00	450,000.00
Totals	-	200,000.00	950,000.00	1,250,000.00	2,400,000.00

The implementation costs consist of Limited Duration staff to implement and increased permanent staff to handle increased customer service volume. Staff does not estimate an increase in overall account volume however estimates an increase in customer contacts as the proposal requires intense education. Staff estimated that revenue collection would not occur prior to January 2024 based on timing of the ballot election, implementation, and taxing cycles.

Revenue Receipt Impact

Staff analysis estimates the impact the tax proposal could have on business license tax receipts and the resulting annual tax revenue to the City in a fiscal year. Revenue receipts impact analysis is in comparison to the current law, revenue generated based on the current law, and using the current business filings, using "Blue Sky" dynamic elasticity model, and holding all other variables constant.

Category	FY21-22	FY22-23	FY23-24	FY24-25	Totals
"A" Additional Receipts	-	-	30,500,000.00	30,500,000.00	61,000,000.00
Totals	-	-	30,500,000.00	30,500,000.00	61,000,000.00

Economic Impact

Economic Impact analysis is defined as the community's ability to attract and retain business and employment. To that end, Staff reviewed the Proposal to determine the impact on the current listing of businesses. The City has a current listing of 53,133 businesses. This proposal would affect, 24,979, a little less than half (46%) of all current businesses.

	Change in Business Taxes			Overall
	Decrease	No Change	Increase	
Number of Businesses	17,466	193	7,320	24,979
Pct of All Businesses (Affected Sectors)	69.90%	0.80%	29.30%	100.00%
Avg Change per Business (\$)	(\$138)	\$0	\$5,069	\$1,389
Avg Change per Business (%)	-33%	0%	91%	72%
Total Dynamic Revenue Change (\$M)	(\$2.40)	\$0.00	\$32.90	\$30.50

1. Reduce taxes on the smallest businesses by an average of \$138 for affected businesses.
2. Increase taxes on larger businesses; those earning over \$50 million in gross receipts annually.
3. Some businesses with less than \$1 million in gross receipts would see an increase (e.g. admin HQ); see Figure 3 above
4. Businesses with a tax increase would see an average increase of just over \$5,000 per business, with the largest businesses seeing significantly higher annual increases.
5. Rates for larger businesses would be higher than current rates, with rate increases of more than 500% for the largest businesses in some sectors.
6. the Retail Sales and Wholesale Sales sectors would have rates lower than the current rates for all businesses with annual sales below \$2.5 million.
7. Proposal is estimated to result in \$2.4 million in tax reductions
8. Proposal is estimated to result in \$32.9 million in tax increases
9. Net total of \$30.5 million in additional annual BLT revenue in the first year of full implementation.

Category	FY22-23	FY23-24	FY24-25	Totals
> \$50M Gross Receipts (Small Businesses)	-	9,100,000.00	9,100,000.00	18,200,000.00
<\$50M Gross Receipts (Larger Businesses)		21,400,000.00	21,400,000.00	42,800,000.00
Totals	-	30,500,000.00	30,500,000.00	61,000,000.00

Concentration Effect

Staff additionally reviewed the number of businesses affected based on the change and the resulting concentration of revenues by business accounts and sector. This analysis looks at the diversity of businesses in the upper bounds to assess vulnerability in the tax base as diversity in businesses and business sectors shields revenue loss in economic downturns. Under current law, the top ten taxpayers are expected to contribute a total of \$5.4 million annually, or an average of \$540,000 each. Proposal A would increase the total BLT revenues from the top ten businesses to \$15 million or an average of \$1.5 million each. These top ten businesses account for 11.3% of the BLT revenue from the affected business sectors under the current system and just over 18% of the BLT revenue under Proposal A.

FIGURE 4: REVENUE CONCENTRATION FOR PROPOSAL A

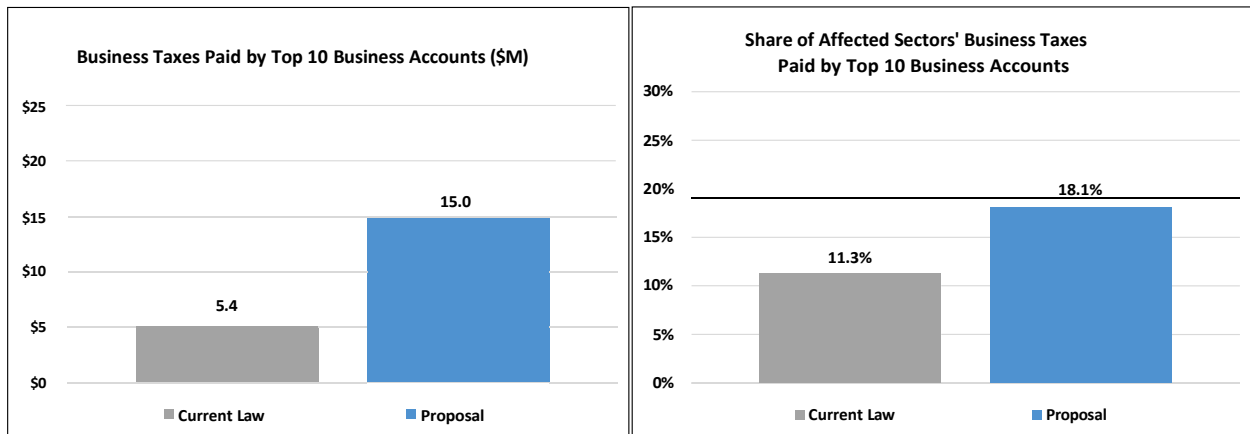


Figure 4 illustrates revenue generated under the current BLT and Proposal A from the largest ten taxpayers.

PROPOSAL B

The 11-member Blue Ribbon Equitable Business Tax Task Force (“Task Force”), created by Resolution No.88227 C.M.S., met from April through October 2021 and delivered its recommended business tax proposal in an October 21, 2021 report.

“City of Oakland Blue Ribbon Equitable Business Tax Task Force Analyses and Recommendation (“Task Force Report”) referred to as (“Proposal B”).

FIGURE 5: PROPOSAL B TAX RATES

	Current Law Current Law		Prop osal Tax Ra tes by Brac ket (Gross Receipts, mil \$)							
	Min Payment	Tax per \$1,000	Min Payment	\$0 - \$1M	\$1M - \$2.5M	\$2.5M - \$10M	\$10M - \$25M	\$25M - \$50M	\$50M - \$75M	Above \$75M
Retail Sales	\$60	\$1.20	\$50	\$0.90	\$1.08	\$1.25	\$1.50	\$1.75	\$2.00	\$2.50
Auto Sales	\$60	\$1.20	\$50	\$1.20	\$1.25	\$1.50	\$1.75	\$2.00	\$2.25	\$2.75
Wholesale Sales	\$60	\$1.20	\$50	\$1.08	\$1.14	\$1.25	\$1.50	\$1.75	\$2.00	\$2.50
Manufacturing	\$60	\$1.20	\$50	\$0.90	\$1.20	\$2.25	\$2.75	\$3.00	\$3.25	\$4.80
Admin Headquarters	\$60	\$1.20	\$50	\$3.50	\$4.50	\$5.00	\$5.50	\$6.00	\$6.50	\$7.00
Alt. Large Admin Headquarter Tax †				\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
Media Firms	\$60	\$1.20	\$50	\$1.80	\$2.80	\$3.20	\$3.80	\$4.80	\$5.00	\$5.50
Miscellaneous	\$60	\$1.20	\$50	\$3.50	\$4.50	\$5.00	\$5.50	\$6.00	\$6.50	\$7.00
Grocers	\$60	\$0.60	\$50	\$0.45	\$0.54	\$1.00	\$1.35	\$1.50	\$1.75	\$2.00
Business / Pers Svcs	\$60	\$1.80	\$50	\$1.62	\$1.71	\$3.25	\$4.00	\$5.00	\$5.25	\$6.00
Contractors	\$60	\$1.80	\$50	\$1.80	\$2.75	\$4.00	\$4.50	\$5.00	\$5.50	\$6.00
Hotel, Motel	\$60	\$1.80	\$50	\$1.62	\$1.71	\$3.80	\$4.80	\$5.00	\$5.25	\$5.50
Prof/Semi-prof Svcs	\$60	\$3.60	\$50	\$3.24	\$3.42	\$5.00	\$5.00	\$5.50	\$6.50	\$7.50
Rec & Entertainment	\$60	\$4.50	\$50	\$4.50	\$4.70	\$4.70	\$4.70	\$4.80	\$5.00	\$5.50
Public Utility	\$60	\$1.00	\$50	\$4.00	\$4.50	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
			No change to Taxi/Lim o/Ambulanc e or Trucking/Transpoti on rates.							
Color Coding for Rate Increases:			Decrease	No Change	1% to 100%	101%-200%	201%-300%	> 300%		

† Proposal includes alternative payroll tax at \$15 per 1,000 of O ikland payroll for Admin Headquarter firms with 1,000+ US employees and \$1B+ i n US sales.

Key Elements

- Tiered, progressive rate structure
- Creates 7 tiers (Tax Brackets) based on gross receipts
 - \$0-\$1M
 - \$1.M to \$2.5M
 - \$2.5M to \$10M
 - \$10M to \$25M
 - \$25M to \$50M
 - \$50M to \$75M
 - Above \$75M
- Varying Increasing amounts based on business sector
- Adds an Alternate Large Headquarters Tax for large national firms with administrative functions in Oakland; applies only to firms with more than 1,000 employees nationally and \$1 billion in revenue.
- The Alternate Large Headquarters tax rate would be \$15 per \$1,000 of Oakland-based payroll, regardless of Tax Bracket of Gross Receipts
- Changes rates for 14 Business Categories
- Reduces minimum payment for all business categories from \$60 to \$50 or \$10

Overall Fiscal Impact**Service Impact**

To implement any tax change, there is a necessary implementation period. The Finance Department has analyzed the proposal and determined that the implementation period for Proposal B would be 18 to 24 months based on the added complexity of the tiered tax structure for 14 different business categories and the addition of a category. The implementation cost is estimated at \$2,400,000 over a 24-month period, with \$1,900,000 being one-time and \$500,000 being on-going.

Category	FY21-22	FY22-23	FY23-24	FY24-25	Totals
Staffing -Limited Duration	-	-	750,000.00	750,000.00	1,500,000.00
Staffing -Permenant	-	-	-	450,000.00	450,000.00
Technology & Supplies	-	200,000.00	200,000.00	50,000.00	450,000.00
Totals	-	200,000.00	950,000.00	1,250,000.00	2,400,000.00

The implementation costs consist of Limited Duration staff to implement and increased permanent staff to handle increased customer service volume. Staff does not estimate an increase in overall account volume however estimates an increase in customer contacts as the proposal requires intense education. Staff estimated that revenue collection would not occur prior to January 2024 based on timing of the ballot election, implementation, and taxing cycles.

Revenue Receipt Impact

Staff analysis estimates the impact the tax proposal could have on business license tax receipts and the resulting additional annual tax revenue to the City in a fiscal year. Revenue receipts impact analysis is in comparison to the current law, revenue generated based on the current law, and using the current business filings, using "Blue Sky" dynamic elasticity model, and holding all other variables constant.

Category	FY22-23	FY23-24	FY24-25	Totals
"B" Additional Receipts	-	32,700,000.00	32,700,000.00	65,400,000.00
Totals	-	32,700,000.00	32,700,000.00	65,400,000.00

Economic Impact

Economic Impact analysis is defined as the community's ability to attract and retain business and employment. To that end, Staff reviewed the Proposal to determine the impact on the current listing of businesses. The City has a current listing of 53,133 businesses. This proposal would affect, 24,979, a little less than half (46%) of all current businesses.

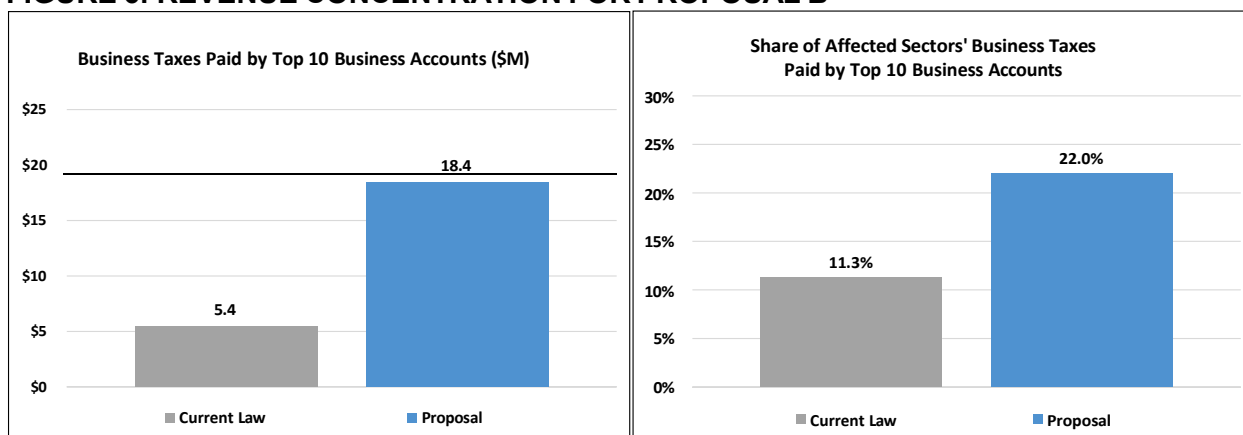
	Change in Business Taxes			Overall
	Decrease	No Change	Increase	
Number of Businesses	20,779	2,704	1,496	24,979
Pct of All Businesses (Affected Sectors)	83.20%	10.80%	6.00%	100.00%
Avg Change per Business (\$)	(\$62)	\$0	\$24,739	\$1,430
Avg Change per Business (%)	-10%	0%	107%	76%
Total Dynamic Revenue Change (\$M)	(\$1.30)	\$0.00	\$34.00	\$32.70

1. Reduces taxes on the smallest businesses by an average of \$62, with 83% of businesses in the affected sectors receiving a tax reduction.
2. Increases taxes on larger businesses by an average of \$24,739 per business, with 6% of businesses in the affected sectors receiving a tax increase.
3. Proposal is estimated to result in \$1.3 million in tax reductions
4. Proposal is estimated to result in \$34.0 million in tax increases
5. Net total of \$32.7 million in additional annual BLT revenue in the first year of full implementation.

Concentration Effect

Staff additionally reviewed the number of businesses affected based on the change and the resulting concentration of revenues by business accounts and sector. This analysis looks at the diversity of businesses in the upper bounds to assess vulnerability in the tax base as diversity in businesses and business sectors shields revenue loss in economic downturns. Under current law, the top ten taxpayers are expected to contribute a total of \$5.4 million annually, or an average of \$540,000 each. Proposal B would increase the total BLT revenues from the top ten businesses to \$18.4 million or an average of \$1.8 million each. These top ten businesses account for 11.3% of the BLT revenue from the affected business sectors under the current system and 22% of the BLT revenue under Proposal B.

FIGURE 6: REVENUE CONCENTRATION FOR PROPOSAL B



PROPOSAL C

At the March 17, 2022 Rules Committee, this proposed tax measure was presented by Council President Fortunato Bas and Councilmember Fife.

Tax measure proposed by Council President Fortunato Bas and Councilmember Fife for placement on the November 2022 ballot referred to as (“Proposal C”)

FIGURE 7: PROPOSAL C TAX RATES

	Current Min Payment	Current Tax per \$1,000	Proposal Tax Rates by Bracket (Gross Receipts, mil \$)								
			Min Payment	\$0 - \$1M	\$1M - \$2.5M	\$2.5M - \$10M	\$10M - \$25M	\$25M - \$50M	\$50M - \$75M	\$75M - \$100M	Above \$100M
Retail Sales	\$60	\$1.20	\$50	\$0.90	\$1.08	\$1.25	\$1.50	\$1.75	\$2.00	\$2.50	\$2.50
Auto Sales	\$60	\$1.20	\$50	\$1.20	\$1.25	\$1.50	\$1.75	\$2.00	\$2.25	\$3.50	\$3.99
Wholesale Sales	\$60	\$1.20	\$50	\$1.08	\$1.14	\$1.25	\$1.50	\$1.75	\$2.00	\$2.75	\$3.99
Manufacturing	\$60	\$1.20	\$50	\$0.90	\$1.20	\$2.25	\$2.75	\$3.00	\$3.25	\$6.00	\$6.65
Admin Headq	\$60	\$1.20	\$50	\$1.20	\$4.50	\$5.00	\$5.50	\$6.00	\$6.50	\$8.00	\$9.50
Alt. Large Admin Headquarter Tax †				\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
Media Firms	\$60	\$1.20	\$50	\$1.20	\$2.80	\$3.20	\$3.80	\$4.80	\$5.00	\$8.50	\$9.50
Miscellaneous	\$60	\$1.20	\$50	\$1.20	\$4.50	\$5.00	\$5.50	\$6.00	\$6.50	\$9.00	\$10.40
Grocers	\$60	\$0.60	\$50	\$0.45	\$0.54	\$1.00	\$1.35	\$1.50	\$1.75	\$2.00	\$2.24
Business / Pers Svcs	\$60	\$1.80	\$50	\$1.62	\$1.71	\$3.25	\$4.00	\$5.00	\$5.25	\$9.50	\$10.08
Contractors	\$60	\$1.80	\$50	\$1.80	\$2.75	\$4.00	\$4.50	\$5.00	\$5.50	\$7.00	\$9.00
Hotel, Motel	\$60	\$1.80	\$50	\$1.62	\$1.71	\$3.80	\$4.80	\$5.00	\$5.25	\$5.50	\$5.60
Prof/Semi-prof Svcs	\$60	\$3.60	\$50	\$3.24	\$3.42	\$5.00	\$5.00	\$5.50	\$6.50	\$8.50	\$9.00
Rec & Entertainment	\$60	\$4.50	\$50	\$4.50	\$4.70	\$4.70	\$4.70	\$4.80	\$5.00	\$7.00	\$9.00
Public Utility	\$60	\$1.00	\$50	\$1.00	\$4.50	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
			<i>Taxi/Limo/Ambulance and Trucking/Transportation rates are also adjusted (see detail).</i>								
Color Coding for Rate Increases:			Decrease	No Change	1% to 100%	101%-200%	201%-300%	> 300%			

† Proposal includes alternative payroll tax at \$15 per 1,000 of Oakland payroll for Admin Headquarter firms with 1,000+ US employees and \$1B+ in US sales.

Key Elements

- Tiered, progressive rate structure
- Creates 8 tiers (Tax Brackets) based on gross receipts
 - \$0-\$1M
 - \$1.M to \$2.5M
 - \$2.5M to \$10M
 - \$10M to \$25M
 - \$25M to \$50M
 - \$50M to \$75M
 - \$75M to \$100M
 - Above \$100M
- Varying Increasing amounts based on business sector
- Changes rates for 15 Business Categories
- Adds an Alternate Large Headquarters Tax for large national firms with administrative functions in Oakland; applies only to firms with more than 1,000 employees nationally and \$1 billion in revenue.
- The Alternate Large Headquarters tax rate would be \$15 per \$1,000 of Oakland-based payroll, regardless of Tax Bracket of Gross Receipts
- In the Transportation Category, Increases the rate per vehicle for Limousines and Ambulances

- For the Trucking/Transportation category, which is based on the number of employees, the proposal both adjusts the tiers and raises the rates.¹
- Reduces minimum payment for all business categories from \$60 to \$50 or \$10

OVERALL FISCAL IMPACT

Service Impact

To implement any tax change, there is a necessary implementation period. The Finance Department has analyzed the proposal and determined that the implementation period for Proposal C would be 18 to 24 months based on the added complexity of the tiered tax structure for 15 different business categories. The implementation cost is estimated at \$2,400,000 over a 24-month period, with \$1,900,000 being one-time and \$500,000 being on-going.

Category	FY21-22	FY22-23	FY23-24	FY24-25	Totals
Staffing -Limited Duration	-	-	750,000.00	750,000.00	1,500,000.00
Staffing -Permenant	-	-	-	450,000.00	450,000.00
Technology & Supplies	-	200,000.00	200,000.00	50,000.00	450,000.00
Totals	-	200,000.00	950,000.00	1,250,000.00	2,400,000.00

The implementation costs consist of Limited Duration staff to implement and increased permanent staff to handle increased customer service volume. Staff does not estimate an increase in overall account volume however estimates an increase in customer contacts as the proposal requires intense education. Finally, Staff estimated that revenue collection would not occur prior to January 2024 based on timing of the ballot election, implementation, and taxing cycles.

Revenue Receipt Impact

Staff analysis estimates the impact the tax proposal could have on business license tax receipts and the resulting annual tax revenue to the City in a fiscal year. Revenue receipts impact analysis is in comparison to the current law, revenue generated based on the current law, and using the current business filings, using "Blue Sky" dynamic elasticity model, and holding all other variables constant.

Category	FY22-23	FY23-24	FY24-25	Totals
"C" Additional Receipts	-	35,200,000.00	35,200,000.00	70,400,000.00
Totals	-	35,200,000.00	35,200,000.00	70,400,000.00

¹⁴ The proposed changes are identical to those proposed by Councilmember Kalb in a memorandum with the subject "Amendments to the Equitable Business Tax Structure Resolution" dated July 12, 2020 (<https://oakland.legistar.com/View.ashx?M=F&ID=8666116&GUID=65599DBC-D3AC-4DA3-A8EB-72E6F08869FD>).

Economic Impact

Economic Impact analysis is defined as the community's ability to attract and retain business and employment. To that end, Staff reviewed the Proposal to determine the impact on the current listing of businesses. The City has a current listing of 53,133 businesses. Excluding the Transportations Services, this proposal would affect, 25,236, a little less than half (47%) of all current businesses. Transportation Businesses total 344.

FIGURE 8: ESTIMATED EFFECTS FOR PROPOSAL C

	Change in Business Taxes			Overall
	Decrease	No Change	Increase	
Number of Businesses	20,798	2,787	1,651	25,236
Pct of All Businesses (Affected Sectors)	82.40%	11.00%	6.50%	100.00%
Avg Change per Business (\$)	(\$62)	\$0	\$25,769	\$1,635
Avg Change per Business (%)	-10%	0%	121%	87%
Total Dynamic Revenue Change (\$M)	(\$1.30)	\$0.00	\$36.40	\$35.20

1. Reduces taxes on the smallest businesses by an average of \$62, with 82% of businesses in the affected sectors receiving a tax reduction.
2. Increases taxes on larger businesses by an average of \$25,769 per business, with 6.5% of businesses in the affected sectors receiving a tax increase.
3. For the Trucking/Transportation category, which is based on the number of employees, the proposal both adjusts the tiers and raises the rates.² These changes together are estimated to generate additional annual revenue of approximately \$230,000 annually.
4. Proposal is estimated to result in \$1.3 million in tax reductions
5. Proposal is estimated to result in \$36.4 million in tax increases
6. Net total of \$35.2 million in additional annual BLT revenue in the first year of full implementation.

Concentration Effect

Staff reviewed the number of businesses affected based on the change and the resulting concentration of revenues by business accounts and sector. This analysis looks at the diversity of businesses in the upper bounds to assess vulnerability in the tax base as diversity in businesses and business sectors shields revenue loss in economic downturns. Under current law, the top ten taxpayers are expected to contribute a total of \$5.4 million annually, or an average of \$540,000 each. Proposal C would increase the total BLT revenues from the top ten businesses to \$21.9 million annually or an average of \$2.2 million each. These top ten businesses account for 11.3% of the BLT revenue from the affected business sectors under the current system and 24.7% of the BLT revenue under Proposal C.

² The proposed changes are identical to those proposed by Councilmember Kalb in a memorandum with the subject "Amendments to the Equitable Business Tax Structure Resolution" dated July 12, 2020

(<https://oakland.legistar.com/View.ashx?M=F&ID=8666116&GUID=65599DBC-D3AC-4DA3-A8EB-72E6F08869FD>).

FIGURE 9: REVENUE CONCENTRATION FOR PROPOSAL C

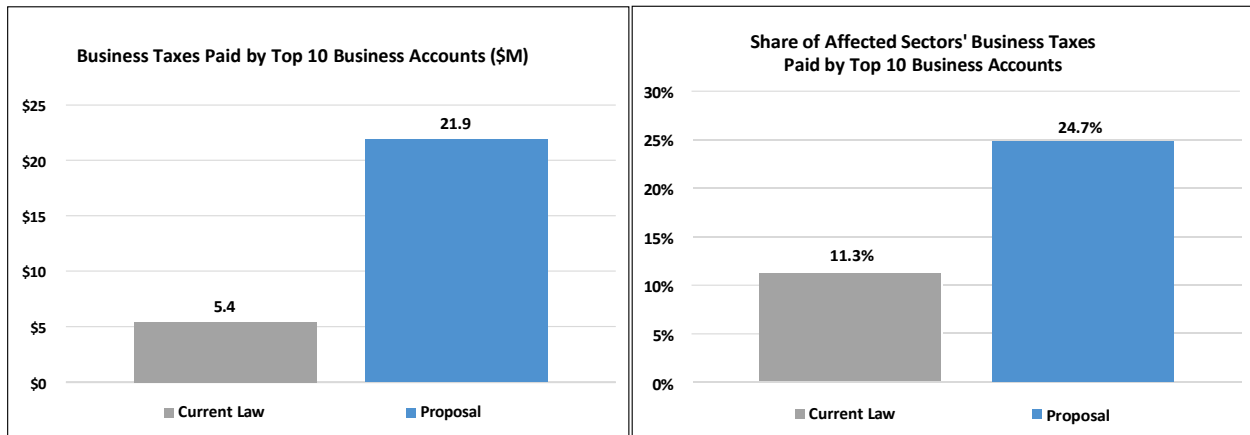


Figure 9 illustrates revenue generated under the current BLT and Proposal C from the largest ten taxpayers.

PROPOSAL D

Currently in the signature gathering stage and not yet certified for the November 2022 ballot.

“The Invest in Our Oakland Small Business Tax Fairness Act” voter initiative referred to as (Proposal “D”)

FIGURE 10: PROPOSAL D TAX RATES

	Current Law Current Law		Propo sal Tax R ates by Bracket (Gross Receipts, mil \$)									
	Min Payment	Tax per \$1,000	Min Payment	\$0 - \$1M	\$1M - \$2.5M	\$2.5M - \$10M	\$10M - \$25M	\$25M - \$50M	\$50M - \$75M	\$75M - \$100M	Above \$100M	
Retail Sales	\$60	\$1.20	\$50	\$0.90	\$1.08	\$1.25	\$1.50	\$1.75	\$2.00	\$2.50	\$2.50	
Auto Sales	\$60	\$1.20	\$50	\$1.20	\$1.25	\$1.50	\$1.75	\$2.00	\$2.25	\$3.50	\$3.99	
Wholesale Sales	\$60	\$1.20	\$50	\$1.08	\$1.14	\$1.25	\$1.50	\$1.75	\$2.00	\$2.75	\$3.99	
Manufacturing	\$60	\$1.20	\$50	\$0.90	\$1.20	\$2.25	\$2.75	\$3.00	\$3.25	\$6.00	\$6.65	
Admin Headq	\$60	\$1.20	\$50	\$1.20	\$4.50	\$5.00	\$5.50	\$6.00	\$6.50	\$8.00	\$9.50	
Alt. Large Admin Headquarter Tax †				\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	
Media Firms	\$60	\$1.20	\$50	\$1.20	\$2.80	\$3.20	\$3.80	\$4.80	\$5.00	\$8.50	\$9.50	
Miscellaneous	\$60	\$1.20	\$50	\$3.50	\$4.50	\$5.00	\$5.50	\$6.00	\$6.50	\$9.00	\$10.40	
Grocers	\$60	\$0.60	\$50	\$0.45	\$0.54	\$1.00	\$1.35	\$1.50	\$1.75	\$2.00	\$2.24	
Business / Pers Svcs	\$60	\$1.80	\$50	\$1.62	\$1.71	\$3.25	\$4.00	\$5.00	\$5.25	\$9.50	\$10.08	
Contractors	\$60	\$1.80	\$50	\$1.80	\$2.75	\$4.00	\$4.50	\$5.00	\$5.50	\$7.00	\$9.00	
Hotel, Motel	\$60	\$1.80	\$50	\$1.62	\$1.71	\$3.80	\$4.80	\$5.00	\$5.25	\$5.50	\$5.60	
Prof/Semi-prof Svcs	\$60	\$3.60	\$50	\$3.24	\$3.42	\$5.00	\$5.00	\$5.50	\$6.50	\$8.50	\$9.00	
Rec & Entertainment	\$60	\$4.50	\$50	\$4.50	\$4.70	\$4.70	\$4.70	\$4.80	\$5.00	\$7.00	\$9.00	
Public Utility	\$60	\$1.00	\$50	\$1.00	\$4.50	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	

Color Coding for Rate Increases:

No change to Taxi/Limo/Ambulance or Trucking/Transportation rates.					
Decrease	No Change	1% to 100%	101%-200%	201%-300%	> 300%

† Proposal includes alternative payroll tax at \$15 per 1,000 for Admin Headquarter firms with 1,000+ US employees and \$1B+ in US sales.

Key Elements

- Tiered, progressive rate structure
- Creates 8 tiers (Tax Brackets) based on gross receipts
 - \$0-\$1M
 - \$1.M to \$2.5M
 - \$2.5M to \$10M
 - \$10M to \$25M
 - \$25M to \$50M
 - \$50M to \$75M
 - \$75M to \$100M
 - Above \$100M
- Varying Increasing amounts based on business sector
- Changes rates for 14 Business Categories and includes Miscellaneous Category
- Adds an Alternate Large Headquarters Tax for large national firms with administrative functions in Oakland; applies only to firms with more than 1,000 employees nationally and \$1 billion in revenue.
- The Alternate Large Headquarters tax rate would be \$15 per \$1,000 of Oakland-based payroll, regardless of Tax Bracket of Gross Receipts
- Reduces minimum payment for all business categories from \$60 to \$50 or \$10

OVERALL FISCAL IMPACT**Service Impact**

To implement any tax change, there is a necessary implementation period. The Finance Department has analyzed the proposal and determined that the implementation period for Proposal D would be 18 to 24 months based on the added complexity of the tiered tax structure for 14 different business categories. The implementation cost is estimated at \$2,400,000 over a 24-month period, with \$1,900,000 being one-time and \$500,000 being on-going.

Category	FY21-22	FY22-23	FY23-24	FY24-25	Totals
Staffing -Limited Duration	-	-	750,000.00	750,000.00	1,500,000.00
Staffing -Permenant	-	-	-	450,000.00	450,000.00
Technology & Supplies	-	200,000.00	200,000.00	50,000.00	450,000.00
Totals	-	200,000.00	950,000.00	1,250,000.00	2,400,000.00

The implementation costs consist of Limited Duration staff to implement and additional permanent staff to handle increased customer service volume. Staff does not estimate an increase in overall account volume however estimates an increase in customer contacts as the proposal requires intense education. Finally, Staff estimated that revenue collection would not occur prior to January 2024 based on timing of the ballot election, implementation, and taxing cycles.

Revenue Receipt Impact

Staff analysis estimates the impact the tax proposal could have on business license tax receipts and the resulting annual tax revenue to the City in a fiscal year. Revenue receipts impact analysis is in comparison to the current law, revenue generated based on the current law, and using the current business filings, using "Blue Sky" dynamic elasticity model, and holding all other variables constant.

Category	FY22-23	FY23-24	FY24-25	Totals
"D" Additional Receipts	-	35,200,000.00	35,200,000.00	70,400,000.00
Totals	-	35,200,000.00	35,200,000.00	70,400,000.00

Economic Impact

Economic Impact analysis is defined as the community's ability to attract and retain business and employment. To that end, Staff reviewed the Proposal to determine the impact on the current listing of businesses. The City has a current listing of 53,133 businesses. This proposal would affect, 24,979, a little less than half (46%) of all current businesses.

FIGURE 11: ESTIMATED EFFECTS FOR PROPOSAL D

	Change in Business Taxes			Overall
	Decrease	No Change	Increase	
Number of Businesses	20,795	2,780	1,404	24,979
% of Businesses in Affected Sectors	83.20%	11.10%	5.60%	100.00%
Avg Change per Business (\$)	(\$62)	\$0	\$29,984	\$1,634
Avg Change per Business (%)	-10%	0%	121%	87%
Total Dynamic Revenue Change (\$M)	(\$1.30)	\$0.00	\$36.40	\$35.20

1. Reduces taxes on the smallest businesses by an average of \$62, with 83% of businesses in the affected sectors receiving a tax reduction.
2. Increases taxes on larger businesses by an average of \$29,984 per business, with 5.6% of businesses in the affected sectors receiving a tax increase.
3. Proposal is estimated to result in \$1.3 million in tax reductions
4. Proposal is estimated to result in \$36.4 million in tax increases
5. Net total of \$35.2 million in additional annual BLT revenue

Concentration Effect

Staff reviewed the number of businesses affected based on the change and the resulting concentration of revenues by business accounts and sector. This analysis looks at the diversity of businesses in the upper bounds to assess vulnerability in the tax base as diversity in businesses and business sectors shields revenue loss in economic downturns. Under current law, the top ten taxpayers are expected to contribute a total of \$5.4 million annually, or an average of \$540,000 each. Proposal D would increase the total BLT revenues from the top ten businesses to \$21.9 million annually or an average of \$2.2 million each. These top ten businesses account for 11.3% of the BLT revenue from the affected business sectors under the current system and 24.7% of the BLT revenue under Proposal D.

FIGURE 12: REVENUE CONCENTRATION FOR PROPOSAL D

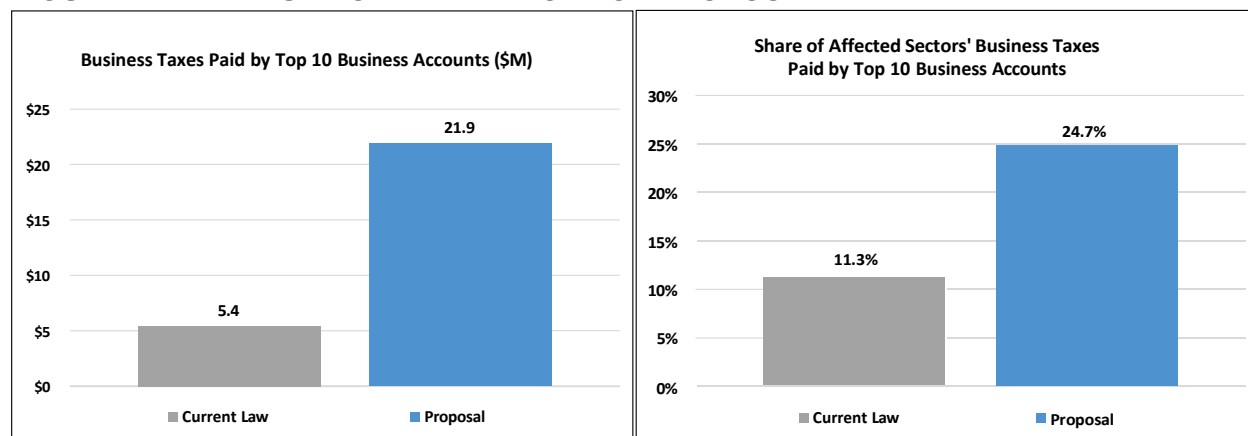


Figure 12 illustrates revenue generated under the current BLT and Proposal D from the largest ten taxpayers.

PROPOSAL E

Currently in the signature gathering stage and not yet certified for the November 2022 ballot.

“The Progressive & Equitable Oakland Business Gross Receipts Tax Ordinance” a voter initiative referred to as (Proposal “E”)

FIGURE 13: PROPOSAL E TAX RATES

	Current Min Payment	Current Tax per \$1,000	Proposal Tax Rates by Bracket (Gross Receipts, mil \$)					
			Min Payment	\$0 - \$1M	\$1M - \$2.5M	\$2.5M - \$20M	\$20M - \$50M	Above \$50M
Retail Sales	\$60	\$1.20	\$0	\$1.00	\$1.25	\$1.49	\$1.74	\$2.00
Auto Sales	\$60	\$1.20	\$0	\$1.00	\$1.25	\$1.49	\$1.74	\$2.00
Wholesale Sales	\$60	\$1.20	\$0	\$1.20	\$1.32	\$1.50	\$1.80	\$2.00
Manufacturing	\$60	\$1.20	\$0	\$1.20	\$1.32	\$1.50	\$1.80	\$2.00
Admin Headquarters	\$60	\$1.20	\$0	\$1.20	\$1.44	\$1.68	\$2.40	\$3.60
Media Firms	\$60	\$1.20	\$0	\$1.20	\$1.32	\$1.50	\$1.80	\$2.40
Miscellaneous	\$60	\$1.20	\$0	\$1.20	\$1.32	\$1.50	\$1.80	\$2.40
Grocers	\$60	\$0.60	\$0	\$0.55	\$0.60	\$0.65	\$0.90	\$1.20
Business / Pers Svcs	\$60	\$1.80	\$0	\$1.80	\$1.98	\$2.25	\$2.70	\$3.15
Contractors *	\$60	\$1.80	\$0	\$1.80	\$1.98	\$2.25	\$2.70	\$3.06
Hotel, Motel	\$60	\$1.80	\$0	\$1.80	\$2.25	\$2.52	\$2.88	\$3.60
Prof/Semi-prof Svcs	\$60	\$3.60	\$0	\$3.60	\$3.96	\$4.32	\$4.68	\$5.00
Rec & Entertainment	\$60	\$4.50	\$0	\$4.50	\$4.64	\$4.73	\$4.82	\$5.00
Public Utility	\$60	\$1.00	\$0	\$1.00	\$1.10	\$1.25	\$1.50	\$1.75
<i>Color Coding for Rate Increases:</i>			No change to Taxi/Limo/Ambulance or Trucking/Transportation rates.					
			Decrease	No Change	1% to 100%	101%-200%	201%-300%	> 300%
* This proposal includes a rate of a flat \$60 for the first \$33,335 plus \$1.80 for every additional \$1,000 of gross receipts for contractors/construction firms who meet certain requirements for apprentice programs, health insurance, and Oakland resident hiring practices.								

Key Elements

- Directs additional revenues generated to Special Fund (not the General-Purpose Fund)
- Determines Set Asides for additional Revenues
 - 1%: The Direct and Indirect Administrative Expenses Associated with the Business Tax
 - 50%: Homeless Shelters and Supportive Services
 - 30%: Grants to Local Small Businesses (max grant of \$100K per business)
 - 20%: Capital Expenditures and Support for Services to Maintain a Clean City
- Tiered, progressive rate structure
- Creates 5 tiers (Tax Brackets) based on gross receipts
 - \$0-\$1M
 - \$1.M to \$2.5M
 - \$2.5M to \$50M
 - Above \$50M
- Varying Increasing amounts based on business sector
- With the exception of Admin Headquarters, the rate increases held to no more than a 100% increase
- Changes rates for 13 Business Categories
- Eliminates minimum payment for 13 business categories
- Creates 2 new Business Categories

- Real Estate Developers- defined as those who either (a) subdivide, (b) sell 2 or more buildings they have built or caused to be built within a calendar year, or (c) sell apartment or commercial building within 3 years of receiving their certificate of occupancy.
- Real Estate Rehabilitators- defined as those who sell real property they have rehabilitated or on which they have had rehabilitation performed.
- Alternative Structure for Contractors
 - Contractors who meet specific apprenticeship, healthcare and local hiring requirements would not be subject to the progressive rate structure
 - \$60 for the first \$33,335 in gross receipts and \$1.80 for each \$1,000 above that.
- Residential and non-residential landlords would receive a rate reduction of \$5
 - (from \$13.95 to \$8.95 per \$1,000) for new buildings if either
 - (a) the construction firms who built these new buildings met specific apprenticeship, healthcare and local hiring requirements or
 - (b) the building was constructed under a project labor agreement (PLA) with the Building and Construction Trades Council of Alameda County.
- Two Phase-in provisions over the first three years.
 - The first appears in section 5.04.030 (E), which states: “Any increases which this Chapter makes to the tax liability of a business shall be phased in over a three-year period, with businesses paying 40 percent (40%) of any business tax increase in the first year, 70 percent (70%) of any business tax increase in the second year, and 100 percent (100%) of any business tax increase in the third year.”
 - The second provision addressing this phase-in period appears in section 5.04.070 (B): “Businesses which have gross annual receipts of \$1 million or less and whose tax rates are increased by this ordinance shall not be subject to or pay the gross receipts tax set forth herein until 2026, but shall pay an annual minimum business tax of \$60 until then. Businesses which have gross annual receipts of \$1 million or less whose tax rates are not increased by this ordinance shall pay the business tax at the rate provided for herein.”

OVERALL FISCAL IMPACT

Service Impact

To implement any tax change, there is a necessary implementation period. The Finance Department has analyzed the proposal and determined that the implementation period for Proposal E would be 18 to 24 months based on the added complexity of the tiered tax structure for 15 different business categories. The implementation cost is estimated at \$2,550,000 over a 24-month period, with \$1,900,000 being one-time and \$600,000 being on-going.

Category	FY22-23	FY23-24	FY24-25	Totals
Staffing -Limited Duration	-	750,000.00	750,000.00	1,500,000.00
Staffing -Permenant	-	-	600,000.00	600,000.00
Technology & Supplies	200,000.00	200,000.00	50,000.00	450,000.00
Totals	200,000.00	950,000.00	1,400,000.00	2,550,000.00

The implementation costs consist of Limited Duration staff to implement and increased permanent staff to handle increased customer service volume. Staff does not estimate an increase in overall account volume however estimates an increase in customer contacts as the proposal requires intense education. This proposal requires set aside or programmatic administration. Staff estimated that revenue collection would not occur prior to January 2024 based on timing of the ballot election, implementation, and taxing cycles.

Revenue Receipt Impact

Staff analysis estimates the impact the tax proposal could have on business license tax receipts and the resulting annual tax revenue to the City in a fiscal year. Revenue receipts impact analysis is in comparison to the current law, revenue generated based on the current law, and using the current business filings, using "Blue Sky" dynamic elasticity model, and holding all other variables constant. The Additional receipts are directed to a separate fund and are excluded from the General Purpose Fund.

Category	FY22-23	FY23-24	FY24-25	FY25-26	Totals
"E" Additional Receipts	-	4,000,000.00	7,300,000.00	10,600,000.00	21,900,000.00
Totals	-	4,000,000.00	7,300,000.00	10,600,000.00	21,900,000.00

Economic Impact

Economic Impact analysis is defined as the community's ability to attract and retain business and employment. To that end, Staff reviewed the Proposal to determine the impact on the current listing of businesses. The City has a current listing of 53,133 businesses. This proposal would affect, 24,981, a little less than half (47%) of all current businesses.

FIGURE 14: ESTIMATED EFFECTS FOR PROPOSAL E

	Change in Business Taxes			Overall
	Decrease	No Change	Increase	
Number of Businesses	9,733	12,667	2,581	24,981
% of Businesses in Affected Sectors	39.00%	50.70%	10.30%	100.00%
Avg Change per Business (\$)	(\$56)	\$0	\$4,479	\$441
Avg Change per Business (%)	-24%	0%	29%	26%
Total Dynamic Revenue Change (\$M)	(\$0.50)	\$0.00	\$11.10	\$10.60

1. Reduces taxes on the smaller businesses by an average of \$56, with 39% of businesses in the affected sectors receiving a tax reduction.
2. Increases taxes on larger businesses by an average of \$4,479 per business, with 29% of businesses in the affected sectors receiving a tax increase.
3. No effect on 51% of business in the affected sectors
4. Proposal is estimated to result in \$500,000 in tax reductions
5. Proposal is estimated to result in \$11.1 million in tax increases
6. Net total of \$10.6 million in additional annual BLT revenue

Proposal E has a Set-Aside Provision of additional receipts generated by the proposal. Of the set-aside provisions 30% is to be provide grants to Local Small Businesses as such, of the estimated dynamic revenue in a fully implemented year, approximately \$3.18M would have direct economic impact.

Category	FY22-23	FY23-24	FY24-25	FY25-26	Totals
1% Direct and Indirect Administrative Expense		40,000.00	73,000.00	106,000.00	219,000.00
50% Homeless Shelters and Supportive Services		2,000,000.00	3,650,000.00	5,300,000.00	10,950,000.00
30% Grants to Local Small Businesses		1,200,000.00	2,190,000.00	3,180,000.00	6,570,000.00
20% Capital Expenditures and Support Services for Clean City		800,000.00	1,460,000.00	2,120,000.00	4,380,000.00
Totals	-	4,000,000.00	7,300,000.00	10,600,000.00	21,900,000.00

Concentration Effect

Staff reviewed the number of businesses affected based on the change and the resulting concentration of revenues by business accounts and sector. This analysis looks at the diversity of businesses in the upper bounds to assess vulnerability in the tax base as diversity in businesses and business sectors shields revenue loss in economic downturns. Under current law, the top ten taxpayers are expected to contribute a total of \$5.4 million annually, or an average of \$540,000 each. Proposal E would increase the total BLT revenues from the top ten businesses to \$8.3 million annually or an average of \$830,000 each. These top ten businesses account for 11.3% of the BLT revenue from the affected business sectors under the current system and 14.0% of the BLT revenue under Proposal E.

FIGURE 15: REVENUE CONCENTRATION FOR PROPOSAL E

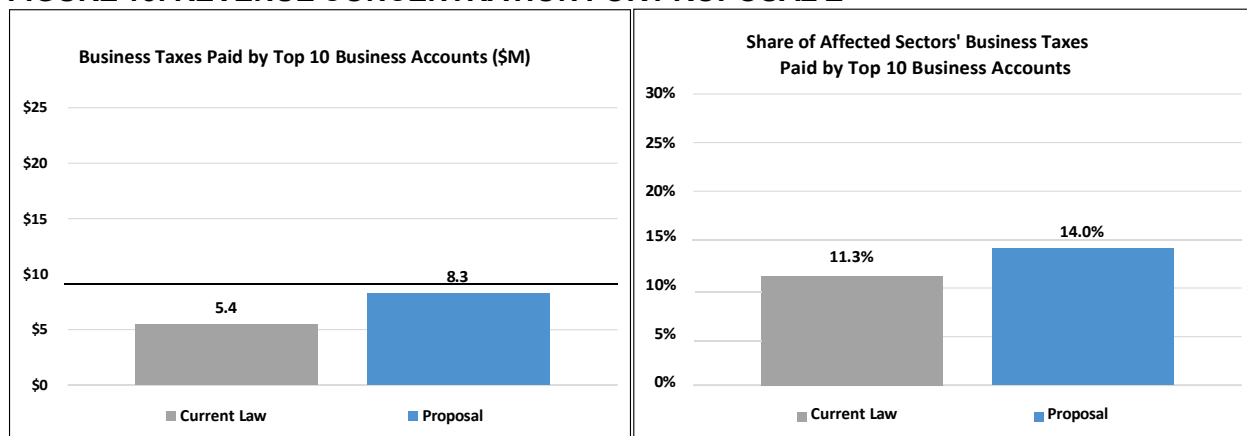


FIGURE 16: SUMMARY OF FISCAL AND ECONOMIC EFFECTS

	Proposal A	Proposal B	Proposal C	Proposal D	Proposal E
Estimated Dynamic Revenue Change (\$M)	\$30.5	\$32.7	\$35.2	\$35.2	\$10.6
<i>Businesses with Tax Decrease:</i>					
% of Businesses in Affected Sectors	69.9%	83.2%	82.4%	83.2%	39.0%
Avg Change per Business (\$)	(\$138)	(\$62)	(\$62)	(\$62)	(\$56)
Avg Change per Business (%)	(33%)	(10%)	(10%)	(10%)	(24%)
Estimated Revenue Change (\$M)	(\$2.4)	(\$1.3)	(\$1.3)	(\$1.3)	(\$0.5)
<i>Businesses with Tax Increase:</i>					
% of Businesses in Affected Sectors	29.3%	6.0%	6.5%	5.6%	10.3%
Avg Change per Business (\$)	\$5,069	\$24,739	\$25,769	\$29,984	\$4,479
Avg Change per Business (%)	91%	107%	121%	121%	29%
Estimated Revenue Change (\$M)	\$32.9	\$34.0	\$36.4	\$36.4	\$11.1
Revenue Concentration on Top Ten Business	18.1%	22.0%	24.7%	24.7%	14.0%
Top Ten Business Avg Increase (\$M)	\$1.0	\$1.3	\$1.7	\$1.7	\$0.3
Service Impact (Implementation Cost)	\$2.4M	\$2.4M	\$2.4M	\$2.4M	\$2.6M

FISCAL IMPACT

This is an informational report about the effects of proposed legislation and does not have a direct fiscal impact in and of itself.

PUBLIC OUTREACH / INTEREST

Given the community participation, complexity, and importance of the tax rate policy issue, enhanced outreach to the business community and commercial property owners and special study sessions may be warranted.

COORDINATION

This report was prepared in coordination with the Blue Sky Consulting Group and the City Attorney's Office.

SUSTAINABLE OPPORTUNITIES

Economic: For almost four decades since the majority of business license tax structure was last updated, the number of types of local businesses in Oakland has changed significantly. In particular, the number of home-based businesses has increased and there has been a shift from light manufacturing to global high-tech companies.

Environmental: There are no environmental opportunities associated with this project.

Race and Equity: A racial equity impact analysis has not been conducted.

ACTION REQUESTED OF THE CITY COUNCIL

Receive An Informational Report Regarding The Possible Fiscal, Economic And Administrative Impacts From Several Proposed Ballot Measures That Would Change The Oakland's Business License Tax Structure.

For questions regarding this report, please contact Rogers Agaba, Acting Revenue & Tax Administrator, (510) 238-7009.

Respectfully submitted,



ERIN ROSEMAN
Director of Finance Dept.

Prepared by:
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Administrator
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