



CITY OF PACIFIC GROVE
300 Forest Avenue, Pacific Grove, California 93950

AGENDA REPORT

TO: Honorable Mayor and Members of the City Council
FROM: Ben Harvey, City Manager
MEETING DATE: June 15, 2016
SUBJECT: Business Tax License Ordinance Revision
CEQA: Does not constitute a “Project” under California Environmental Quality Act (CEQA) Guidelines Section 15378.

RECOMMENDATION

1. Receive a Report on Business License Tax Ordinance Revision
2. Provide direction to Staff related to a proposed ballot measure for the November 2016 General Election

DISCUSSION

At the May 18, 2016 meeting, the City Council authorized the City Manager to engage Hinderliter de Lamas & Associates (HdL), the [City's business license administrator](#), to conduct a business tax analysis and ordinance review for Council consideration.

HdL provided the City with a comprehensive analysis of the City's ordinance and the attached report that includes a comparative analysis of the City's business tax and neighboring jurisdictions; a compilation of the data contained in the City's tax registration database; and three options for the Council to consider separately, or in combination, when crafting the new business license tax policy.

A comprehensive chart of the following three options and their fiscal impact can be found on page 22 of the attached report. The three options are:

1. Remove the \$3,000 maximum tax cap.
2. Retain the cap and increase the tax rate (three tax rates are detailed on page 23 of the report).
3. Remove the cap, streamline the process by eliminating the separate current tax/processing method and apply a tax rate by business type.

Potential increased revenue using some of the proposed methods listed above is detailed below:

Remove Cap	\$ 182,600
Increase rate by .0012	\$ 65,400
Increase rate by .0014	\$ 130,800
Increase rate by .0016	\$ 196,200
Remove cap, tax by business type, eliminate processing fee	\$ 363,000

Revenue from business licenses is considered a general tax. The City may use this general tax revenue for any City purpose, such as police protection, fire suppression, storm water, street repair, park maintenance and restoration, library and museum purposes, recreation, code enforcement and other services.

NEXT STEPS

1. Determine whether to modify the current business license tax.
2. Decide upon a method to modify the current business license tax.
3. Direct staff to return on July 20, 2016 with an agenda item providing proposed ballot language for voters to consider a potential increase in business license tax.
4. Direct staff to prepare a resolution placing a proposed business license tax increase on the ballot for voter consideration at the November 8, 2016 general election.

To place a proposed tax measure on the general election ballot to give the City's electorate an opportunity to vote on the measure, a Resolution and the first reading of the Ordinance must be approved by the City Council at a regularly scheduled meeting and sent to the County's Elections Department no later than August 3, 2016. The Resolution calls for an election and asks the County to consolidate with the November 8, 2016 election. The proposed Ordinance amends Chapter 7.04.220 of the City's Municipal Code to increase the License tax – Gross receipts.

ELECTION PROCESS TIMELINE

- | | |
|-----------|---|
| August 3 | Last date (regularly scheduled City Council meeting) for the City Council to take action to file a Notice of Election and Resolution requesting a measure to appear on the ballot |
| August 19 | Primary Arguments Due |
| August 29 | Rebuttal Arguments and City Attorney's Impartial Analysis Due |

Please note that the City Council will meet only once more, July 20, 2016, prior to the County Election Department deadline.

OPTIONS

Take no action. Please note that taking no action at this junction could prohibit any proposed business license tax measure from eligibility for potential inclusion on the ballot at the November 8, 2016 general election due to timing constraints.

FISCAL IMPACT

1. Preliminary estimated costs for adding a ballot measure within a general election is approximately \$75,000.

ATTACHMENTS

Attachment 1: Business Tax Analysis and Ordinance Review Prepared by HdL

RESPECTFULLY SUBMITTED:

Ben Harvey

Ben Harvey
City Manager

City of Pacific Grove

Business Tax Analysis and Ordinance Review
Report Date: June 01, 2016

Staff Report Addendum

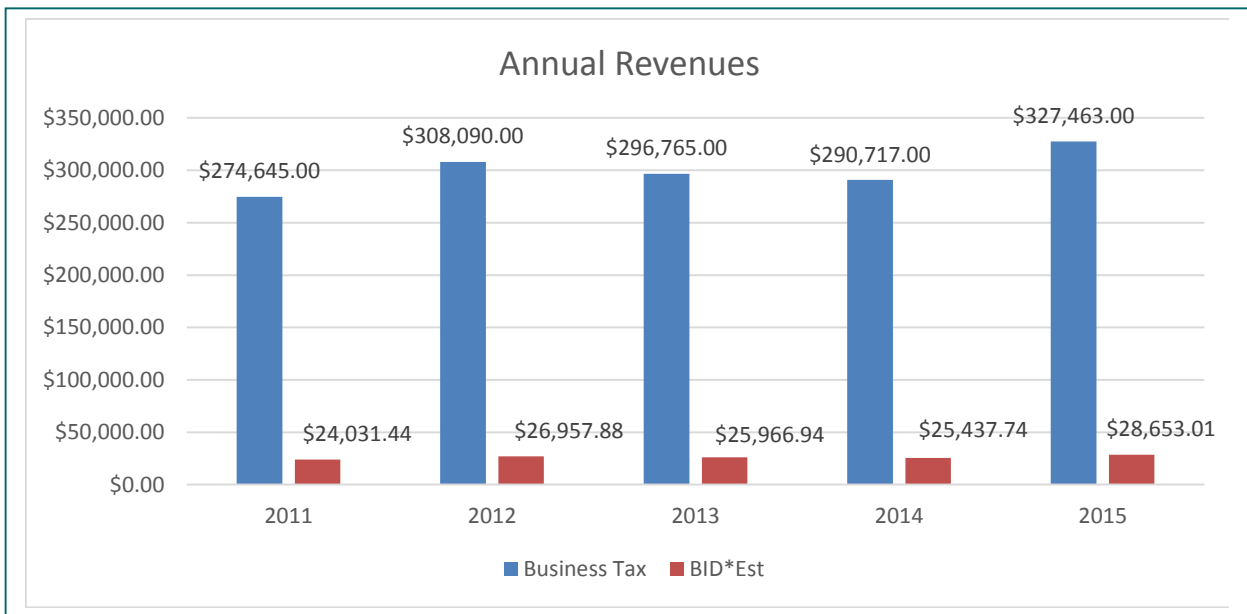
Prepared By:

SECTION 1 – City of Pacific Grove & Comparative Jurisdictions

City of Pacific Grove Business Tax Analysis

The business tax has been authorized and is administered in accordance with Chapter 7 of the City Municipal Code. The last time the ordinance was updated or modified was in the 1970's. The City currently issues approximately 2,000 business licenses annually and over the last five years generates on average \$320,200** in business license tax revenues per year.

**The numbers used in this analysis represent a subset of refined data and does not include registration fees, BID fees, and other miscellaneous fees normally collected with the business license.



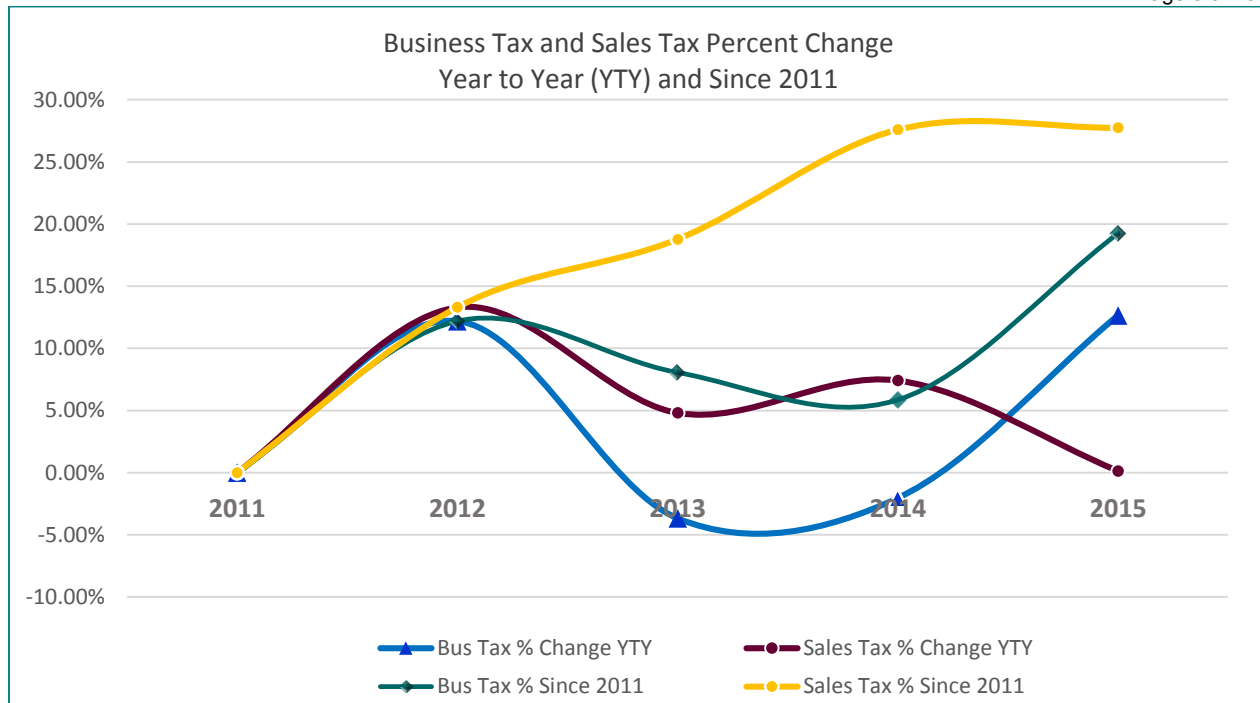


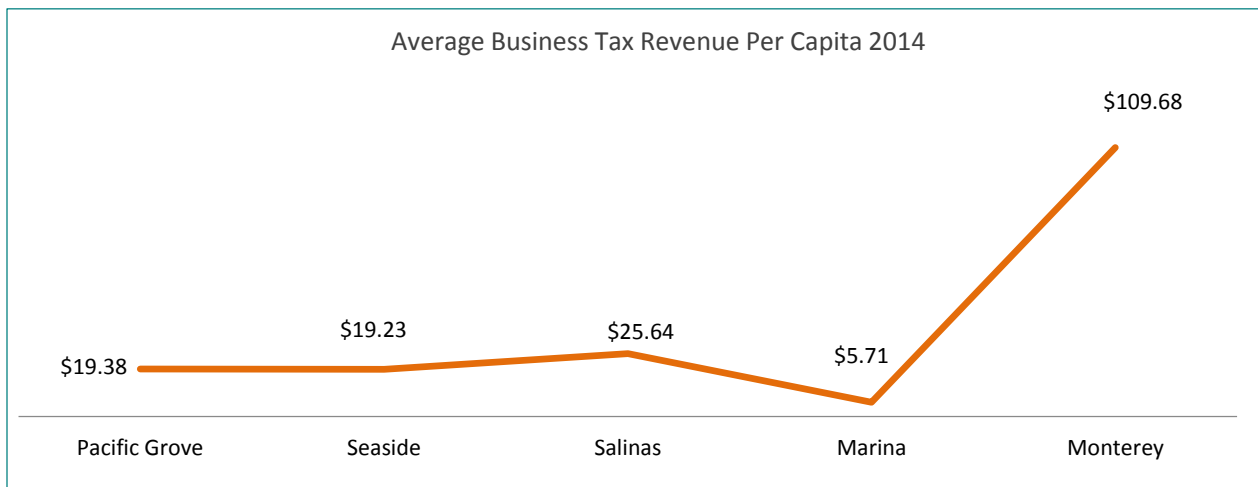
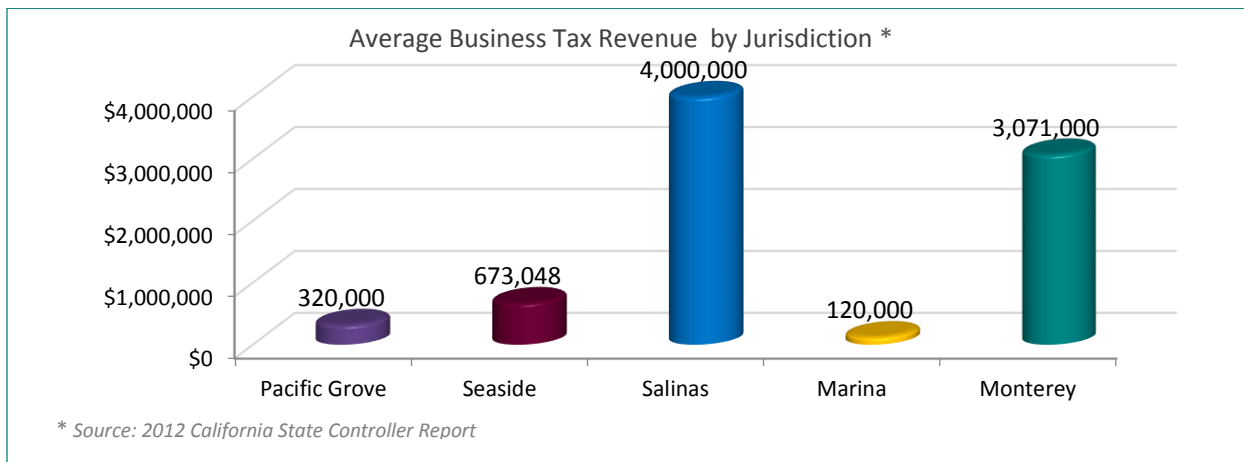
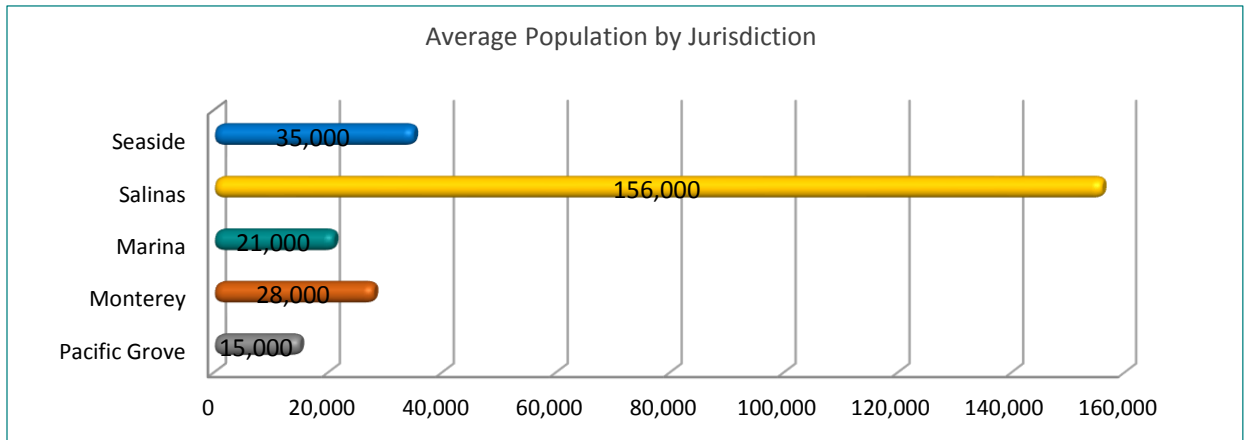
Table 1 – City of Pacific Grove: Business Tax Rate Schedule Summary (Active Licenses)

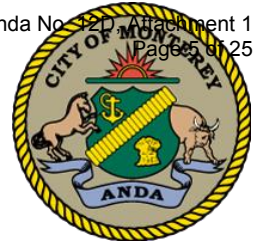
Classification	Rate Type	License Fee	Number of Accounts	Approximate Annual Revenue
General Business	Gross Receipts	Gross X .0001	1,600	\$320,000

Table 2 – City of Pacific Grove: Business Tax Cap Analysis

Approximate Numbers of Accounts	Number of Active Licenses
Minimum Fee Payers (Gross <=\$15,000)	590
Scale Fee Payers (Gross >\$15,000 and <\$3,000,000)	990
Cap Payers (Gross > \$3,000,000)	20

Similar and Surrounding Jurisdictions





Monterey, CA

Demographics:

- Population: 28,276 as of 2014
- County: Monterey County
- Incorporation: 1890
- Estimated median household income: \$61,671 as of 2013
- Land area: 8.44 square miles
- Population Density: 3,351 people per square mile

Rate structures and fees, renewal cycles: 19-7:

- ◆ **Annual License:** Business licenses follow an annual basis where the effective date of the license runs from July 1st through June 30th of each year. For licenses that are not based on gross receipts, their taxes are assessed on a prorated basis. If application is made in the quarter beginning July 1st, 100% of the tax is due; October 1st, 75% of the tax is due; January 1st, 50% of the tax is due; April 1st, 25% of the tax is due.

Rate structures and fees- Penalties 19-18:

Business licenses are considered to be delinquent if not paid for by August 15th. At such time a penalty of 20% of the overall license tax is added to said tax, and an additional 10% is accrued on the 15th of each month thereafter. Under no circumstance do penalties exceed 50% of the total amount of taxes owed.

Rate structures and fees- Miscellaneous fees:

Activity	Associated Fee

Rate structures and fees- Tax Rates, Gross Receipts Based 19-27

Business Type Sec 19-27	Annual Gross Receipts	Associated Annual Tax
*Section 19-27 businesses defined below	\$12,500 or less	\$26.00
	\$12,500.01 to \$37,500	\$26 + \$6 for each \$2,500 in excess of \$12,500
	Greater than \$37,500	\$86 + \$3 for each \$2,500 in excess of \$37,500

* Ambulance service, Art galleries, Athletic events, Auto court, trailer court, Auto parts, Automobiles for hire, Barbershop, Beauty shop, Bicycles, sale, repair or rental, Boats, sale, repair or storage, Boats for hire (including tackle shop, snack bar or boat hoist), Bowling alleys, Catering service, Chimney cleaning, Child care nursery, Circuses, carnivals, fairs and other similar events or concessions therein, Cleaning or laundry trucks, Clothing sales, Dancing public hall, Dancing school, Delivery of gasoline, oil or other petroleum products, Drugstore, Farmers, Fish market, retail, Florist, Furniture, Furs, Garden service, Gift shop, Handicrafts and works of art, Hardware, Hospital, Hotel, Housecleaning, Household appliances and furnishings, Janitorial and cleaning services, Jewelry, Junk collectors, Junk dealers, Leather shop, Lumber yard, Merchant, general, Motel, Museum, Music store, Nursery school, Office equipment, Paint store, Parking lots, Pawnbroker, Peddlers, Pest control, Piano tuner, Planing mill, Pool room, Printing and graphic, Private instructor, Produce sales, Public garage, Racquetball facility, Rest Home, Rooming house (over four guests), Sanitary supplies and service, Sanatorium, Sanatory or convalescent hospital, Scooter or motor bikes, sale, repair or rental, Secondhand dealer, Ship chandlery, Shoes, sale or repair, Signs, sale, Skiff rental, Solicitors, Sporting goods, Stationery store, Storage, Swimming pool maintenance, Telephone soliciting, Theaters, Tool sharpening, Trailer and camper sales, Tree maintenance, Trucking, Trucks and automobiles, rent or lease, Upholstery, Wholesale delivery (other than produce), Wholesale pickup, Window cleaning, Taxicabs.

Rate structures and fees- Tax Rates, Gross Receipts Based 19-28

Business Type Sec 19-28	Annual Gross Receipts	Associated Annual Tax
*Section 19-28 businesses defined below	\$25,000 or less	\$26.00
	Greater than \$25,000	\$26 + \$3 for each \$2,500 in excess of \$25,000

* Awning sales and repairs, Bakeries, Bath and massage, Batteries, sales and service, Blacksmith or iron works, Boardinghouse, Book store, Cabinetmaking, Candy store, Cigar store, Cleaning, dyeing and renovating, Dairy products, Dressmaking or alterations, Feed and fuel, Wholesale fish market, Gardening service, Glazier, Golf course, Grocer and meat market, Gymnasium, Ice manufacturer/ distributor, Fire extinguisher service, Laundry or launderette, Lockers for frozen food, Locksmith, Machine shop, Mail order, Newspaper distributing, Pet shop, Physical culture, Picture gallery, Produce, Recording services and repairs, Rental of equipment, Repair shop or repair service, Restaurant, Rug cleaning, Service station, Signs, Skating rink, Skateboard park, Snack bar, Statuary, Tailor, Tires retreading, Towel supply, Watchmaker, Wholesale, Wood yard.

Rate structures and fees- Tax Rates, Gross Receipts Based 19-29

Business Type Sec 19-29	Annual Gross Receipts	Associated Annual Tax
*Section 19-29 businesses defined below	\$12,500 or less	\$26.00
	Greater than \$12,500	\$26 + \$6 for each \$2,500 in excess of \$12,500

* Architect/Designer, Computer service, Consulting service, Auditor/ Accountant, Abstract company, Advertising, Appraiser, Architect, Assayer, Attorney at law, Bacteriologist, Brokers, Boarding kennels, Business college, Chemist or chemical laboratory, Chiropodist, Chiropractor, Clinic, Collection agency, Consultant, Dental laboratory, Dentist, Designer or illustrator, Dog and cat hospital, Electrologist, Employment agency, Engineer, Finance company, Fortunetelling, Funeral director, Geologist, Gunsmith, Hearing aid center, Income tax service, Insurance adjuster, Interior decorator, Land title company, Lapidary, Masseurs and masseuses, Oculist, Optician, Optometrist, Osteopath, Photographer, Physical therapist, Psychologist, Public relations service, Radio and TV stations, Research laboratories, Research service, School of cosmetology, Security patrol, Sign painter, Stenographer, Telephone answering service, Tours and related visitor services, Travel agency, Veterinary.

Rate structures and fees- Tax Rates, Gross Receipts Based 19-33 to 19-55

Business Type Sec 19-33	Annual Gross Receipts	Associated Annual Tax
Coin operated machines/ amusements	\$2,500 or less	\$50.00
Vending machines	Greater than \$2,500	\$50 + \$5 for each \$500 in excess of \$2,500

Business Type Sec 19-37	Annual Gross Receipts	Associated Annual Tax
Automobile sales	\$50,000 or less	\$51.00
	Greater than \$50,000	\$51 + \$.75 for each \$2,500 in excess of \$50,000

Business Type Sec 19-43	Annual Gross Receipts	Associated Annual Tax
Contractors	\$50,000 or less	\$51.00
	Greater than \$50,000	\$51 + \$3 for each \$2,500 in excess of \$50,000

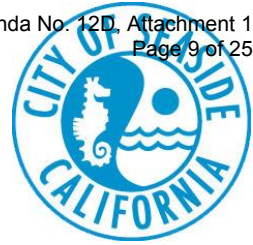
Business Type Sec 19-46	Annual Gross Receipts	Associated Annual Tax
Gas and oil distributing plants	\$50,000 or less	\$41.00
	Greater than \$50,000	\$41 + \$2.40 for each \$2,500 in excess of \$50,000

Business Type Sec 19-48/ 19-54	Annual Gross Receipts	Associated Annual Tax
Manufacturing - Generally	\$25,000 or less	\$26.00
Public Utilities	\$25,000.01 to \$49,999.99	\$56.00
	\$50,000 to \$249,999.99	\$56.00 + \$30 for each \$25,000 in excess of \$50,000
	\$250,000 to \$499,999.99	\$296 + \$30 for each \$50,000 in excess of \$250,000
	\$500,000 or more	\$446 + \$25 for each \$50,000 in excess of \$500,000

Business Type Sec 19-55	Annual Gross Receipts	Associated Annual Tax
Rental of Property (10 or more units)	\$12,500 or less	\$15.00
	Greater than \$12,500	\$15 + \$6 for each \$2,500 in excess of \$12,500

Rate structures and fees- Tax Rates, Flat Rates 19-34

Business Type Sec 19-34	
Auctioneers	\$200 for each auction + \$100 for each day such auction is conducted for longer than 3 days



Seaside, CA

Demographics:

- Population: 34,182 as of 2014
- County: Monterey County
- Incorporation: 1954
- Estimated median household income: \$53,873 as of 2013
- Land area: 8.83 square miles
- Population Density: 3,873 people per square mile

Rate structures and fees, renewal cycles: 5.04.190:

- ◆ **Annual License:** All annual licenses are issued for the period beginning July 1st through June 30th of each year and due by August 31st.

Rate structures and fees- Penalties 5.04.200:

If a license is not paid for when the tax becomes due, a penalty of 50% of said license tax is added in addition to the total fees due.

Rate structures and fees- Miscellaneous fees:

Activity	Associated Fee
License duplication fee	\$5.00
Surety bond for seasonal event lots (Christmas tree sales)	\$200.00
Fire inspection fee (applies to commercial based business)	\$219.00
Administration fee	\$13.00

Rate structures and fees- Tax Rates, Gross Receipts 5.04.210, 5.04.230:

Business Type Schedule A	Annual Gross Receipts	Associated Annual Tax
Wholesale or jobbing business	\$100,000 or less	\$37.50
Manufacturing	In excess of \$100,000	+ \$37.50 per \$100,000 gross receipts in excess of \$100,000
Public Utilities		
Business Type Schedule B	Annual Gross Receipts	Associated Annual Tax
Professional & non-professional services	\$25,000 or less	\$37.50
Hotel/ Motel	In excess of \$25,000	+ \$9.00 per \$5,000 gross receipts in excess of \$25,000
Business Type Schedule C	Annual Gross Receipts	Associated Annual Tax
Real Estate brokers	\$25,000 or less	\$45.00
	In excess of \$25,000	+ \$10.00 per \$5,000 gross receipts in excess of \$25,000
Business Type Schedule D	Annual Gross Receipts	Associated Annual Tax
Retail business	\$49,999.99 or less	\$37.50
Auction & closing out sales	\$50,000 or more	+ \$4.50 per \$5,000 gross receipts in excess of \$50,000
Firearm Sales		
Restaurants- limited & full service		
Business Type Schedule E	Annual Gross Receipts	Associated Annual Tax
Automobile, truck, trailer, vehicle sales	\$100,000 or less	\$75.00
Vehicle leasing	In excess of \$100,000	+ \$1.00 per \$5,000 gross receipts in excess of \$100,000
Business Type Schedule F	Annual Gross Receipts	Associated Annual Tax
Contractors	\$24,999.99 or less	\$18.75
	\$25,000 to \$49,999.99	\$37.50
	\$50,000 to \$74,999.99	\$56.25
	\$75,000 to \$100,000	\$75.00
	In excess of \$100,000	Follows the above scale in increments of \$18.75

Rate structures and fees- Tax Rates, Gross Receipts contd. 5.04.410:

Business Type Schedule G	Annual Gross Receipts	Associated Annual Tax
Vending Machines	\$1 to \$1,000	\$7.50
	\$1,001 to \$2,000	\$15.00
	\$2,001 to \$10,000	\$30.00
	\$10,001 to \$20,000	\$97.50
	\$20,001 to \$30,000	\$172.50
	\$30,001 to \$40,000	\$247.50
	\$40,001 to \$50,000	\$322.50
	\$50,001 to \$60,000	\$405.00
	\$60,001 to \$70,000	\$487.50
	\$70,001 to \$80,000	\$577.50
	\$80,001 to \$90,000	\$667.50
	\$90,001 to \$100,000	\$757.50

Rate structures and fees- Tax Rates, Other. 5.04.250, .260, .330 - .400:

Business Type	Associated Annual Tax
Ambulance Service	\$37.50 per vehicle
Automobile or trucks for hire or rent	\$37.50 per vehicle
BINGO	\$50.00
Christmas Tree lots	\$20.00 per day, maximum \$75.00 per month
Circuses and Carnivals	\$1,125.00 for first 3 days + \$75.00 per additional day(s)
Cleaning and/or laundry trucks	\$37.50 per vehicle
Dairy vehicle delivery	\$37.50 per vehicle
Dances	\$7.50 per dance, max \$37.50 per quarter
Delivery of gasoline, oil or petroleum	\$75.00 per vehicle
Nonappurtenant outdoor advertising	\$0.15 cents per square foot
Pawnshops/ Pawnbrokers	\$150.00
Peddlers, itinerant vendors, solicitors, etc.	\$20.00 per day, maximum \$75.00 per month
Pinball machines & jukeboxes	4% of gross receipts
Property management	\$7.50 per rental unit managed
Real property rental (excluding apartments)	\$7.50 per rental unit
Retail liquor & beverage stores	\$75.00
Wholesale delivery/ pickup	\$52.50 per vehicle



Salinas, CA

Demographics:

- Population: 156,677 as of 2014
- County: Monterey County
- Incorporation: 1874
- Estimated median household income: \$46,901 as of 2013
- Land area: 19.0 square miles
- Population Density: 8,244 people per square mile

Rate structures and fees, renewal cycles 19-20:

- ◆ **Annual License:** Proration applies for new businesses following the annual renewal cycle. All annual license taxes measured by gross receipts are due and payable in advance no later than February 1st of each year. All other annual license taxes are due by August 1st. Additionally, businesses following the annual license renewal periods may elect to pay the annual tax in two equal installments; one half of the total due on the renewal date and the remainder is paid on the 1st day of either January or July (whichever comes first).
- ◆ **Quarterly License:** Quarterly license taxes are due on the 1st day of January, April, July and October.
- ◆ **Daily License:** Daily license taxes are due in advance each day.

Rate structures and fees- Penalties 19-21:

10% of the license tax is added in addition to such tax on the last day of each month after the due date. The maximum amount of penalties a business can accrue is up to 50% of the total fees due.

Rate structures and fees- Miscellaneous Fees *Cities Master Fee Schedule:*

Activity	Associated Fee
Processing Fee	\$2.00
Duplicate License Fee	\$10.00
Garage Sale Permits	\$12.00
Business License Reports	\$45.00 per report
Business License Verification	\$14.00 per license
Returned Check Fee	\$30.00

Rate structures and fees- Tax Rates, Gross Receipts Based 19-23:

Business Type	Annual Gross Receipts	Associated Annual Tax
Retail Sales:	Less than \$25,000	\$25.00
General Business:	\$25,001 - \$50,000	\$50.00
All other businesses not classified below:	\$50,001 - \$100,000	\$100.00
	\$100,001 - \$200,000	\$150.00
	\$200,001 - \$300,000	\$200.00
	\$300,001 - \$400,000	\$300.00
	\$400,001 - \$500,000	\$400.00
	\$500,001 - \$600,000	\$500.00
	\$600,001 - \$700,000	\$600.00
	\$700,001 - \$800,000	\$700.00
	\$800,001 - \$900,000	\$800.00
	\$900,001 - \$1,000,000	\$900.00
	\$1,000,001 and greater	\$1,000 + \$100 for each \$100,000 of gross receipts over \$1,000,000

Rate structures and fees- Tax Rates, Vehicle Based 19-28:

Business Type	Base Tax
Taxicab service	\$100.00 per vehicle, per annum
Motor-driven vehicle for hire	
Freight transportation	
Delivery of goods by vehicle	
Ice cream trucks/ Vending from a vehicle	

Rate structures and fees- Flat Rate 19-32, 19-35:

Business Type	Base Tax
Amusement rides (except carnival or circus)	\$10.00 per day <i>or</i> \$50 per quarter
Billiards, bagatelle, pool table	\$50.00 per annum
Bowling alley	\$25.00 per annum
Carnival	\$150.00 per day
Circus	\$150.00 per day
Exhibitions, boxing, wrestling, public dancing, etc.	\$100.00 per event
Handyman	\$50.00 per annum
Lunch Wagon/Caterer	\$50.00 per annum
Pawnbroker	\$500.00 per annum
Penny arcade	\$300.00 per annum
Route salesman	\$50.00 per annum
Shoe shiner/ Bootblack	\$25.00 per annum
Soliciting, peddling, transient merchant/ business	\$50.00 per day or \$200.00 per quarter
Warehouse space	\$100.00 per annum

Rate structures and fees- Unit Based 19-29

For all motels, hotels, auto courts, motor courts, trailer parks, inns or convalescent homes:

Number of units	Associated Tax
1 to 15	\$100.00 per annum
16 to 25	\$150.00 per annum
26 to 70	\$250.00 per annum
Over 70 units	\$300.00 per annum

For all persons renting four or more residential units on one assessor's parcel:

Number of units	Associated Tax
4 or more	\$12.00 per unit

Rate structures and fees- Employees Based 19-25, 19-26, 19-27:

Business Type	Base Tax	Additional Tax per Employee
Wholesalers	\$100.00	+ \$10.00
Contractors (Annual)	\$100.00	+ \$10.00
Contractors (Quarterly)	\$50.00	+ \$10.00
Professions*	\$200.00 (per practicing partner)	+ \$10.00 (per regular employee)
Occupations & Services**	\$100.00 (Per practicing partner)	+ \$10.00 (per regular employees)
Newspaper, Radio, communications	\$200.00	+ \$10.00
Barbers, Beauty Shops, etc.	\$50.00	+ \$10.00
Manufacturers, processors, agriculture	\$200.00	+ \$10.00

* Professions is defined as: Accountant or auditor, Appraiser, Architect, Attorney, Auctioneer, Bacteriologist, Business school, Certified public accountant, Chemist, Chiropractist, Chiropractor, Civil, electrical, mining, chemical, structural, consulting or hydraulic engineer, Collection agency, Credit reporting bureau, Dentist and dental laboratories, Dermatologist, Detective agency and/or private patrol, Draftsman, Employment office, Entomologist, Feed, grain and fruit broker, Finance companies—savings and loan, Geologist, Landscape architect, Medical laboratory, Mercantile agency, Optician, Optometrist, Osteopath, Physician, Physiotherapist, Podiatrist, Real estate broker, Roentgenologist, Stock broker, Surgeon, Telephone answering service, Travel agency.

**Occupations & Services is defined as: Advertising agent, Artist, Assayer, Blue printer, Book agent, Broker or commission agent, Dancing school, Designer, illustrator or decorator, Drugless practitioner, Electrologist, Engraver, Gardener service, Herbist, Illustrator or show card writer, Insurance or claims adjuster, Interpreter, Janitor service, Lapidary, Locksmith, Masseuse, Naturopath, News agency, Oculist, Outdoor advertiser, Pest control, Piano tuner, Public relations, Public stenographer, Sign painter, Surveyor, Taxidermist, Termite inspector, Trading stamps.



Marina, CA

Demographics:

- Population: 20,817 as of 2014
- County: Monterey County
- Incorporation: 1975
- Estimated median household income: \$49,993 as of 2013
- Land area: 8.75 square miles
- Population Density: 2,380 people per square mile

Rate structures and fees, renewal cycles: 5.04.190:

- ◆ **Annual License:** All annual licenses are issued for the period beginning July 1st through June 30th of each year and due by August 31st.

Rate structures and fees- Penalties 5.04.200:

If a license is not paid for when the tax becomes due, a penalty of 50% of said license tax is added in addition to the total fees due.

Rate structures and fees- Miscellaneous fees:

Activity	Associated Fee
New Business License Review Fee (Inside City)	\$130
New Business License Review Fee (Outside City)	\$55

Rate structures and fees- Tax Rates, Gross Receipts 5.20.020:

Business Type Category I	Annual Gross Receipts	Associated Rate
Retail	\$0 - \$40,000	\$25
Wholesale	\$40,000 > \$100,000	\$30
Amusement & Recreational Centers	\$100,000 > \$250,000	\$41
Services dealing directly with the public	\$250,000 > \$500,000	\$60
	\$500,000 > \$750,000	\$79
	\$750,000 > \$1,000,000	\$98
	\$1,000,000 > \$1,500,000	\$135
	\$1,500,000 > \$2,000,000	\$172
	\$2,000,000 > \$3,000,000	\$247
	\$3,000,000 > \$5,000,000	\$397
	\$5,000,000 > \$7,500,000	\$585
	\$7,500,000 > \$10,000,000	\$773

- ◆ The first forty thousand dollars of gross receipts is taxed at a minimum of twenty-five dollars.
- ◆ Gross receipts over forty thousand dollars taxed at the rate of \$0.15 per thousand applied to the midpoint of each bracket.

Rate structures and fees- Tax Rates, Gross Annual Payroll 5.20.030:

Business Type Category II	Gross Annual Payroll	Associated Rate
Industrial, manufacturing	\$0 - \$100,000	\$25
Research & development firms	\$100,000 > \$250,000	\$55
Public utilities relating to communications	\$250,000 > \$500,000	\$105
	\$500,000 > \$750,000	\$155
	\$750,000 > \$1,000,000	\$205
	\$1,000,000 > \$1,500,000	\$305
	\$1,500,000 > \$2,000,000	\$405
	\$2,000,000 > \$3,000,000	\$605
	\$3,000,000 > \$5,000,000	\$1,205
	\$5,000,000 > \$7,500,000	\$1,705
	\$7,500,000 > \$10,000,000	\$2,205

- ◆ The first one hundred thousand dollars of gross annual payroll is taxed at a minimum of twenty-five dollars.
- ◆ Gross annual payroll over one hundred thousand dollars taxed at the rate of \$0.40 per thousand applied to the midpoint of each bracket.

Rate structures and fees- Tax Rates, Employee Based 5.20.040:

Business Type Category III	Base Rate (Up to 1 professional, 1 non-professional)	Additional rate per Professional	Additional rate per non-professional
Professional establishments	\$50.00	+ \$50.00	+ \$5.00
Businesses offering skilled services			

Rate structures and fees- Tax Rates, Flat Rate 5.20.050:

Business Type Category IV	Flat amount
Subcontractor or Specialty contractor (other than C-53, C-36, C-10)	\$25.00
All other contractors	\$50.00

Rate structures and fees- Tax Rates, Vehicle Based 5.20.060:

Business Type Category V	Per Vehicle Rate (If based in City)	Vehicle Rate (If based outside of City)
Vehicle based	\$25 for 1 st vehicle, + \$5 per additional	\$50 for 1 st vehicle, + \$10 per additional
Advertising vehicle		
Vehicle delivery		
Service vehicle		

Rate structures and fees- Tax Rates, Gross Receipts Based 5.20.070:

Business Type Category VI	Annual Percentage Rate
Coin-operated vending machines	1% of all gross receipts from City activity, not less than \$25 per annum
Laundry equipment	
Businesses exclusively renting or leasing equipment	

Rate structures and fees- Tax Rates, Flat Rates 5.20.080:

**The category below is separate from Category VI businesses, as these rates only apply to the proprietor of any established place of business who owns, possesses or maintains coin-operated machines on the businesses premises.*

Business Type Category VII	Flat Tax Amount
Amusement machine, kiddie ride, Pool table, etc.	\$25.00
Beverage Machine	\$10.00
Food-dispensing machine	\$10.00
Laundry Machine	\$5.00
Photograph Machine	\$25.00
Service Machine (soap, laundry bags, etc.)	\$5.00
One-cent vending machines	\$25.00 for first 25 machines + \$0.50 per machine over 25
Any other machine not specified above	\$5.00 per machine

Rate structures and fees- Tax Rates, Flat Rates 5.20.090:

Business Type Category VIII	Daily Tax Rate
Boxing, wrestling or sporting events Carnivals Circus & menageries	\$100 for 1 st day operating, + \$50.00 per additional day

Rate structures and fees- Tax Rates, Flat Rates 5.20.100:

**Businesses that conduct operations according to the classifications below and also follow established routes within the City may elect to pay tax according to Category I wherein gross receipts are derived from all orders solicited by such solicitors.*

Business Type Category IX	Annual Tax Rate
Soliciting Peddling Hawking	\$100 per individual

Rate structures and fees- Tax Rates, Flat Rates 5.20.110:

Business Type Category X	Daily Rate	Quarterly Rate
Auctioneering	\$50.00 per day	\$300.00 per Quarter

Rate structures and fees- Tax Rates, Flat Rates 5.20.120:

Business Type Category XI	Daily Rate
Bankrupt Sales Fire/ water damage sales	\$100.00 per day

Rate structures and fees- Tax Rates, Unit Based 5.20.130:

Business Type Category XII	Unit Rate
Advertising- Outdoor structures, billboards	\$50.00 + \$5.00 per single-face sign, + \$10.00 per double-face sign

Rate structures and fees- Tax Rates, Unit Based 5.20.140:

**Tax related to Category XIII only applies to rentals of 10 or more units*

Business Type Category XIII	10 to 25 units	Units over 25
Hotel, motel, apartments Includes roominghouse, mobile home parks Recreational vehicle park, living facilities	\$25.00	+ \$1.00 per unit over 25

Rate structures and fees- Tax Rates, Unit Based 5.20.150:

Business Type Category XIV	Unit Rate
Cardrooms	\$300.00 per annum for 1 st table + \$100.00 per additional table

Rate structures and fees- Tax Rates, Flat Rates 5.20.160:

Business Type Category XV	Daily Rates
Temporary retail sales	For first 4 booths= \$25 per day, + \$1.00 per day per additional
Exhibits or shows	\$25.00 per day
Temporary or Occasional Seminars	\$25.00 per day
Schools, Classes, Lectures	\$25.00 per day
Traveling Theatrical Performances	\$25.00 per day

City of Pacific Grove vs. Neighboring Jurisdictions (Business Impact)

Sample Business	PG Current Rates	Seaside	Salinas	Monterey**	Marina	PG Option 1	PG Option 2: 20%	PG Option 3:
General Business (Retail/Misc) \$100,000 Gross	\$100	\$87	\$150	\$122	\$41	\$100	\$120	\$150
General Business (Retail/Misc) \$1,500,000 Gross	\$1,500	\$1,350	\$1,500	\$1,800	\$135	\$1,500	\$1,800	\$1,550
General Business (Retail/Misc) \$15,000,000 Gross	\$3,000	\$13,500	\$15,000	\$18,000	\$1,358	\$15,000	\$3,000	\$15,050
Commercial Rental \$250,000 Gross	\$250	N/A	N/A	N/A	N/A	\$250	\$300	\$800
Hotel / Residential Rental \$2M Gross / 80 Units	\$2,000	\$3,700	\$300	\$2,400	\$42.71	\$2,000	\$2,200	\$4,050
Professionals- \$1,500,000 Gross	\$1,500	\$2,692	\$600*	\$3,600	\$150*	\$1,500	\$1,800	\$4,550
Service Business- \$50,000 Gross	\$50.00	\$56.25	\$100*	\$51	\$50.00	\$50.00	\$60	\$150
Service Business – \$500,000 Gross	\$500	\$375	\$200*	\$591	\$50.00	\$500	\$600	\$1,050

City of Pacific Grove vs. Neighboring Jurisdictions (City Wide Impact)

General Overview:

The rate comparison table shows a variety of sample business types and reflects what the sample business is currently paying in Pacific Grove, what they would pay in a neighboring jurisdiction, and what they would pay under one of the possible new models.

Due to the nature of other jurisdiction's ordinances and the complexity of their categories, a direct comparison was not always available for use in the table. In these cases, an (*) denotes an estimate or potential category discrepancy.

In most cases, exact data regarding disbursement of gross receipts by business type was not available during the analysis. Due to the compressed timeline and lack of data available, averages were calculated and estimates were applied to the overall business bases and distributions.

Tax Schedule -Option 1:

This option represents the removal of the cap currently in place, equalizing the tax rate for larger businesses currently capped at \$3,000. This option can be implemented independently or in conjunction with option 2 or option 3. The table below reflects the estimated potential revenue impact on the City.

Variables	Current (\$3,000)	Extended (\$5,000)	Extended (\$10,000)	Removed (No Cap)
Number At Cap	20	13	7	0
Number Under Cap	0	7	13	20
Total Revenue	\$60,000	\$93,300	\$137,900	\$182,600

Tax Schedule -Option 2:

Option 2 keeps the City's existing tax structure in place and assumes a simple percentage based increase across the board. When considering this option, it is assumed the cap is left in place and option 1 is not implemented.

	Number of Accts	Current Revenues	20% Increase (.0012)	40 % Increase (.0014)	60% Increase (.0016)
TOTALS >	1,600	\$327,000	\$392,414.00	\$457,816.00	\$523,219.00

Tax Schedule -Option 3

Varying rate structures are introduced in this option, creating different classifications with their associated rates. Additionally, the current hybrid tax/processing fee method has been simplified by eliminating the processing fee and moving to a tax only calculation. In contrast to Option 2, this option spreads the increases across different categories rather than a flat increase to all businesses

For the purposes of this option, it is assumed that option 1 has also been implemented.

Gross Receipts	Number of Accts	Est Gross Disbursement	Tax Rate	Tax Amount
Commercial Rental				
Base Tax	150	\$30,000,000	\$50.00	\$7,500.00
Gross Receipts Tax			.003	\$90,000.00
Commercial Rental Sub Total				\$97,500.00
Residential Rental Units				
Base Tax	150	\$30,000,000	\$50.00	\$7,500.00
Gross Receipts Tax			.002	\$60,000.00
Residential Rental Sub Total				\$67,500.00
Professionals				
Base Tax	300	\$60,000,000	\$50.00	\$15,000.00
Gross Receipts Tax			.003	\$180,000.00
Professionals Sub Total				\$195,000.00
Services				
Base Tax	400	\$80,000,000	\$50.00	\$20,000.00
Gross Receipts Tax			.002	\$160,000.00
Services Sub Total				\$180,000.00
Retail / Misc				
Base Tax	600	\$120,000,000	\$50.00	\$30,000.00
Gross Receipts Tax			.003	\$120,000.00
Retail / Misc Sub Total				\$150,000.00
TOTALS>				\$690,000.00