

IMPACT STATEMENT

Legislation title: Amend the Business License Law to increase the tax rate and increase the Owners Compensation Deduction (Ordinance; amend Code Chapter 7.02)

Contact name: Thomas Lannom
Contact phone: 503-823-5154
Presenter name: Thomas Lannom

Purpose of proposed legislation and background information:

The Business License Tax (BLT) is a key component of the City's general fund revenues. The tax rate has been 2.2 percent for about 40 years. To meet the needs of the City, Council expressed their intent to increase the Business License Tax revenues as a part of the FY 2018-19 budget process. The proposed legislation would increase the BLT rate from 2.2 percent to 2.6 percent for the 2018 tax year, in accordance with the FY 2018-19 budgeted revenues. To mitigate the impact on small business, the proposed legislation would also increase the Owners Compensation (OC) Deduction from \$103,500 to \$125,000. City Council originally expressed interest in increasing the OC Deduction in 2007 and restated again in a FY 2013-14 budget note that the ultimate goal was to increase the deduction to \$125,000.

Financial and budgetary impacts:

The proposed legislation is projected to generate \$9.7 million in FY 2018-19 and \$15.3 million per year thereafter in ongoing revenue. Revenue in the initial year is lower due to tax return due dates and the payment remittance cycle for fiscal year businesses and extended calendar year returns.

Community impacts and community involvement:

The City Council held community budget forums.

The proposed legislation is projected to increase the tax liability of about 29,000 taxpayers by an average of \$539 and decrease the tax liability of about 2,000 taxpayers by an average of \$190. The purpose of coupling the proposed legislation for the OC Deduction change with the tax rate increase is to provide both a cushion for small businesses and meet the requirement that future OC deduction increases be offset by increased tax revenue.

The additional revenue generated by this proposed legislation increases the City's ability to fund the goals expressed by City Council to stabilize the budget for homeless services, invest more in moving people out of shelters and into housing, fund programs in the Police Bureau that support community-centered policing, add resources to trash and graffiti cleanup, and to provide additional small business support.

Budgetary Impact Worksheet

Does this action change appropriations?

- YES:** Please complete the information below.
- NO:** Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount