

## **FINANCIAL ANALYSIS OF RICHMOND GROSS RECEIPTS ORDINANCE**

Finance Director's Statement on the fiscal impact of Measure U:

If this new rate structure is approved by the voters, the City is expected to raise approximately \$9,450,000 annually.

Currently, the business license tax in most cases is based on the number of employees. The base rate is \$234.10 per year and goes up per each employee a business has working in Richmond. For the first 25 employees, a business is assessed at \$46.80 per employee. For each additional employee, a business is then assessed at a rate of \$40.10 per employee. The business license tax for the cannabis industry (at 5%) and movie theaters (at 0.3% for revenues over \$20,000) is currently based on gross receipts. The City currently receives \$3.5 million annually from the business license tax.

The new methodology would amend the City's business tax rate structure to authorize the City to tax businesses based on a range of .06% to 5.00% of gross receipts rather than based on the number of employees. Generally, the highest rates will be charged to businesses with the highest gross revenue, with exemptions for specific businesses and activities as identified in the ordinance. If the measure passes, it would provide an estimated \$5.950 million annually in new revenue to the City, based on historical sales tax and rental property data. Staff projects that the City would incur software implementation costs as well as annual costs for additional staff support.

The tax proceeds raised by the general tax created by Measure U may be used for any governmental purpose and will go into effect in the City's 2021-2022 fiscal year.