



Business License Analysis & Ordinance Review

Final

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HdL Companies

SUBMITTED BY
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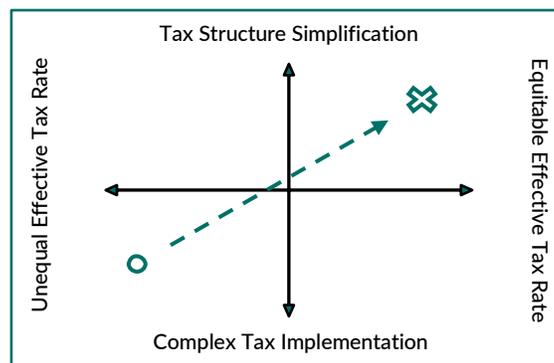
Executive Summary

Background

The Town of Los Gatos (Town) requires all businesses operating within the Town to obtain a business license and pay business license taxes. (Town's Municipal Code (Code) section 14.10.020). This revenue is locally controlled and funds essential services. The Town commissioned the HdL Companies ("HdL" or "we," "us," "our," or similar terms) to prepare this tax study to review the administrative efficiency of the current structures, to review options for improving the equity of the business license tax structure, if any, and to investigate the possibilities for additional revenue generation. In addition, the Town would like a flexible structure that can adapt to ongoing changes in the economy.

To put it another way, the models and recommendations in this study should be evaluated not only on whether they increase revenue but, ideally, also on whether they move the Town's business license structure up and to the right in the four quadrants presented below in Chart 1.

Chart 1: Key attributes of modern business tax structures



Recommendation

The Town's current structure, while capable of being improved, is already producing well when compared to similar jurisdictions. If the Town were to consider updating its tax structure, we recommend that the Town consider adopting a gross receipt tax structure like Model 2 on page 14. This model is similar to the Town's existing structure but it makes that structure simpler to administer, improves the equity, and could modestly increase revenue for the future.

Report Structure

We have divided this report into two major sections and an appendix.

Section 1 - Pages: 4 to 11

In the first section, we review the Town's current revenue and tax structures to describe the Town's current situation. Because the Town already uses some gross receipts, the Town is currently well-placed in comparison to similar jurisdictions. The Town has a concentration of professional services and rental revenue that make its economy different from many jurisdictions.

Section 2 - Pages: 12 - 20

In this section, we review three alternative tax structures. Model 1 is simple percentage increase applied to the existing tax structure. Models 2 and 3 estimate the impact of switching from the Town's current hybrid approach—some gross receipts and some flat fees—to a gross receipts-based approach. Ultimately, we recommend model 2 because of its simplicity and its modest increase in revenue without imposing too much of an increase on key economic sectors.

Appendix A

Appendix A discuss key items in the Town's current structure that could be administratively simplified. It also notes some areas for further review to help modernize the Town's tax structure.

SECTION 1 – Town of Los Gatos & Comparative Jurisdictions

Business Tax - Analysis

The Town currently has approximately 2,483 business that are paying their business license tax. Over the last five fiscal years, business license tax revenue has averaged approximately \$1.43 million per fiscal year. As you can see in Chart 2, the Town's business tax revenue peaked pre-pandemic and has yet to return to pre-pandemic levels. This is consistent with the slow recovery we are seeing statewide. (Please note that while FY 2022 is showing a decline, that may simply be from late reporting at the time the data was pulled.)

Chart 2: 5-year revenue trend

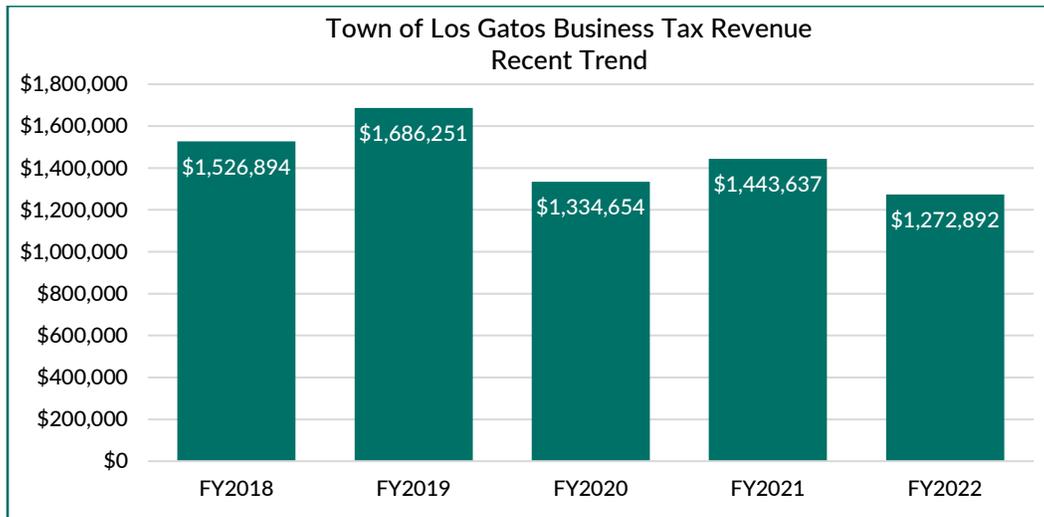
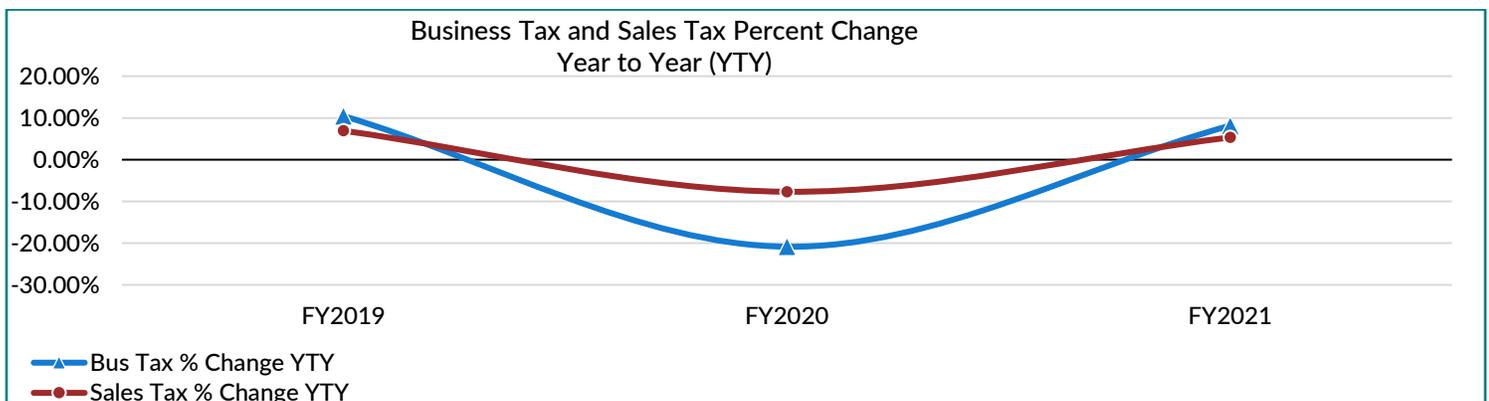


Chart 3, which compares the percentage change year-over-year in business tax revenue to the percentage change in sales tax, shows the impact of the pandemic on both sales tax and business license tax growth rates. The comparison is useful since it shows the varying impacts of economic changes on sales tax (goods sold at retail) and the business license tax (the broader economy, including services). As you can see, the impact of the recession on the Town's overall economy was deeper than it was on just the retail sector.

Chart 3: Comparing revenue growth against the broader economy



Business Tax - Equity of Contribution

The Town currently uses a combination of flat fees and gross-receipts to measure the tax on businesses.

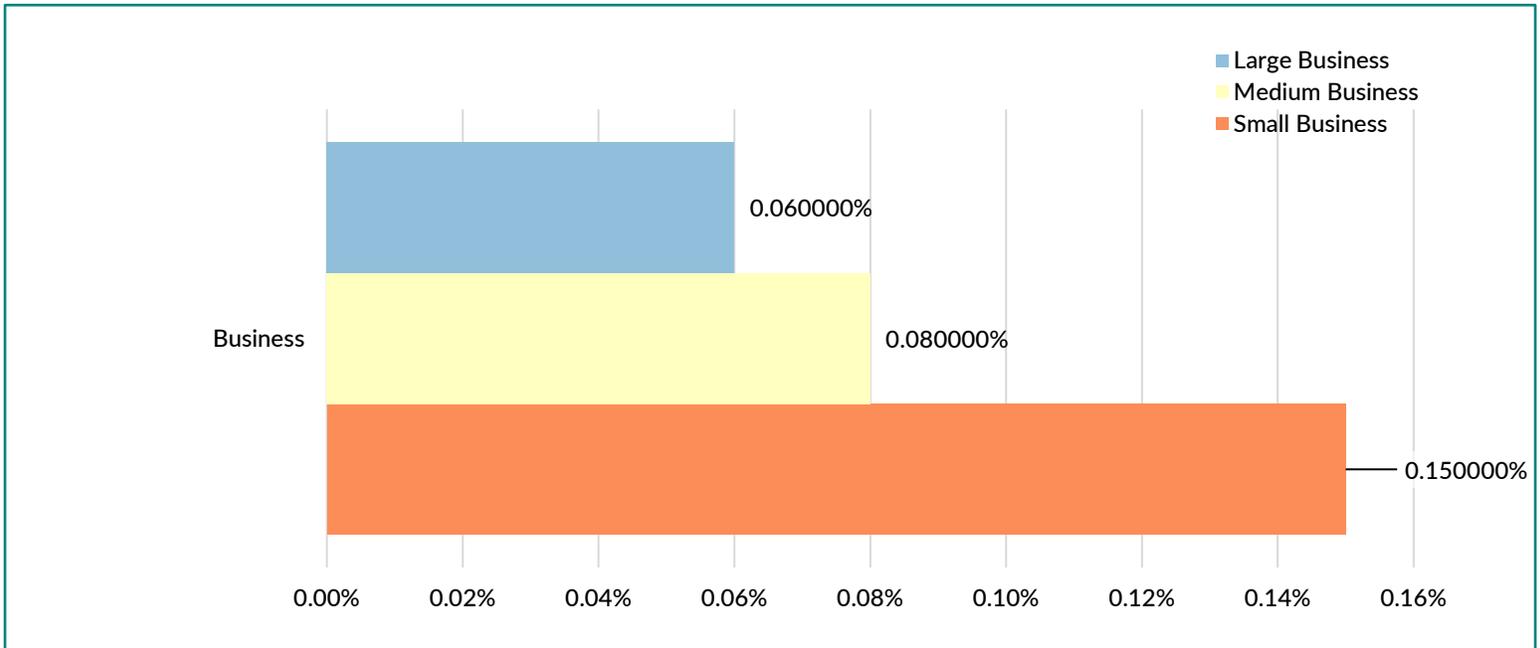
Table 1: Current Tax Structures

Business Category Type	Total Count	Primary Tax Type
CONTRACTOR	539	\$224 Flat Fee
GENERAL COMMERCE/RETAIL	644*	Tiered Gross-Receipts
RENTAL (COMMERCIAL & RESIDENTIAL)	227	\$7.50 per unit (over 3 dwelling units)
SERVICE	511	\$100 flat fee
PROFESSIONAL	562	\$200 per professional/\$15 per non-professional employee
TOTALS	2,483	

*Includes 342 businesses that did not have a classification in the data

As you can see in chart 4, given the Town's current use of flat fees and decreasing gross-receipts tax rates, the Town's current structure is regressive. For example, a general retail business grossing \$50,000 a year (the small business in the chart below) would pay \$75.00, which is an effective tax rate of 0.15%. That is not a bad tax rate. But a large business, grossing \$1 million in a year, will pay \$600 or 0.06%--less than half the effective tax rate of the small business. From a revenue perspective, this is perfectly reasonable given that larger business contributes more revenue overall. But it leaves something to be desired on the equity front since it imposes a higher effective tax rate on smaller businesses. Chart 4 below illustrates the current effective tax rates in the town using three hypothetical business.

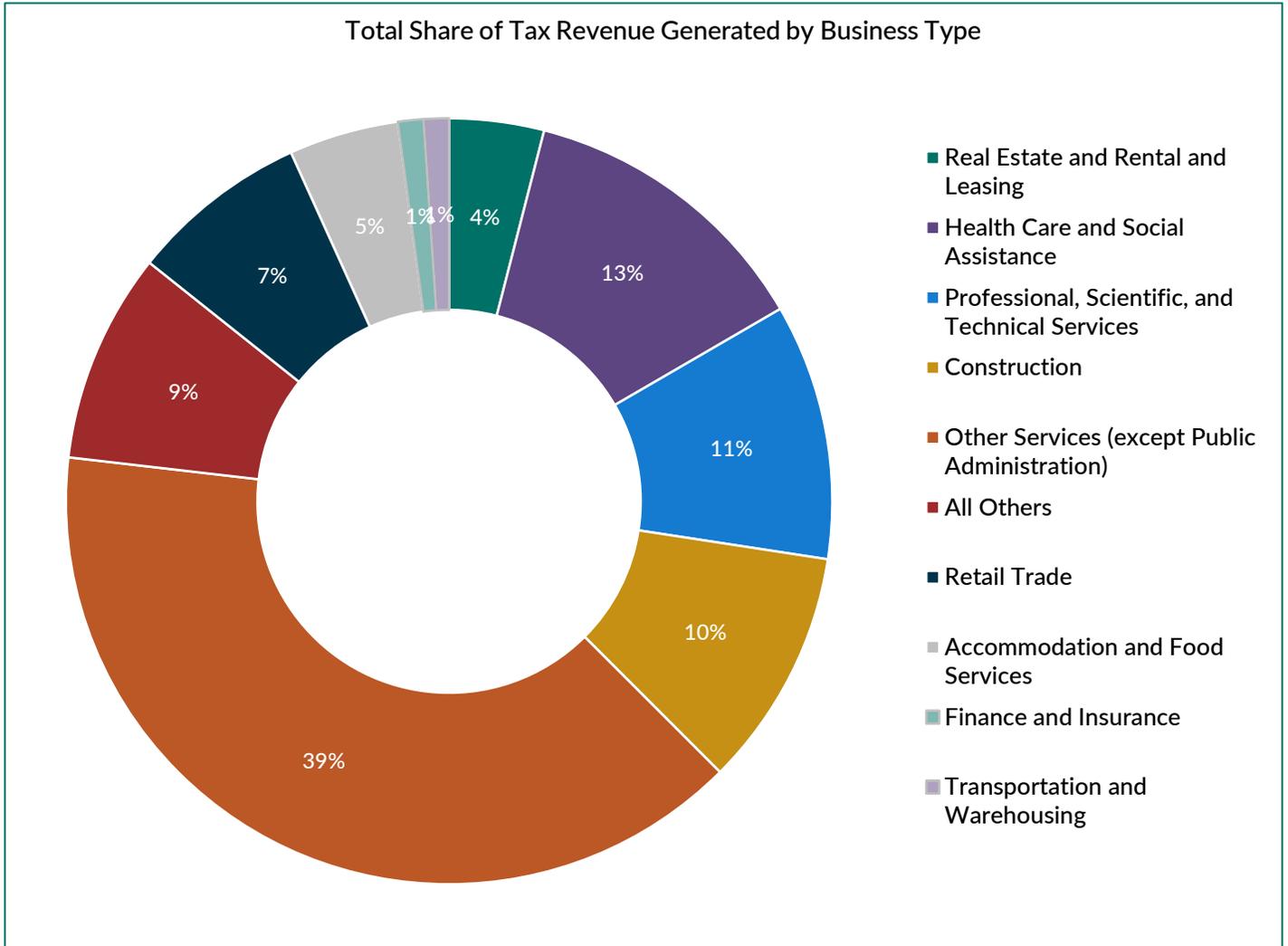
Chart 4: Examples of Current Tax Rate as Percent of Estimated Gross Receipts



Town of Los Gatos: Business Tax – Business Type Summary

As you can see below, the Town's economy, at least as reflected in its business tax revenue, is heavily concentrated in professional and other services. These business are fairly mobile and thus may be more sensitive to tax increases.

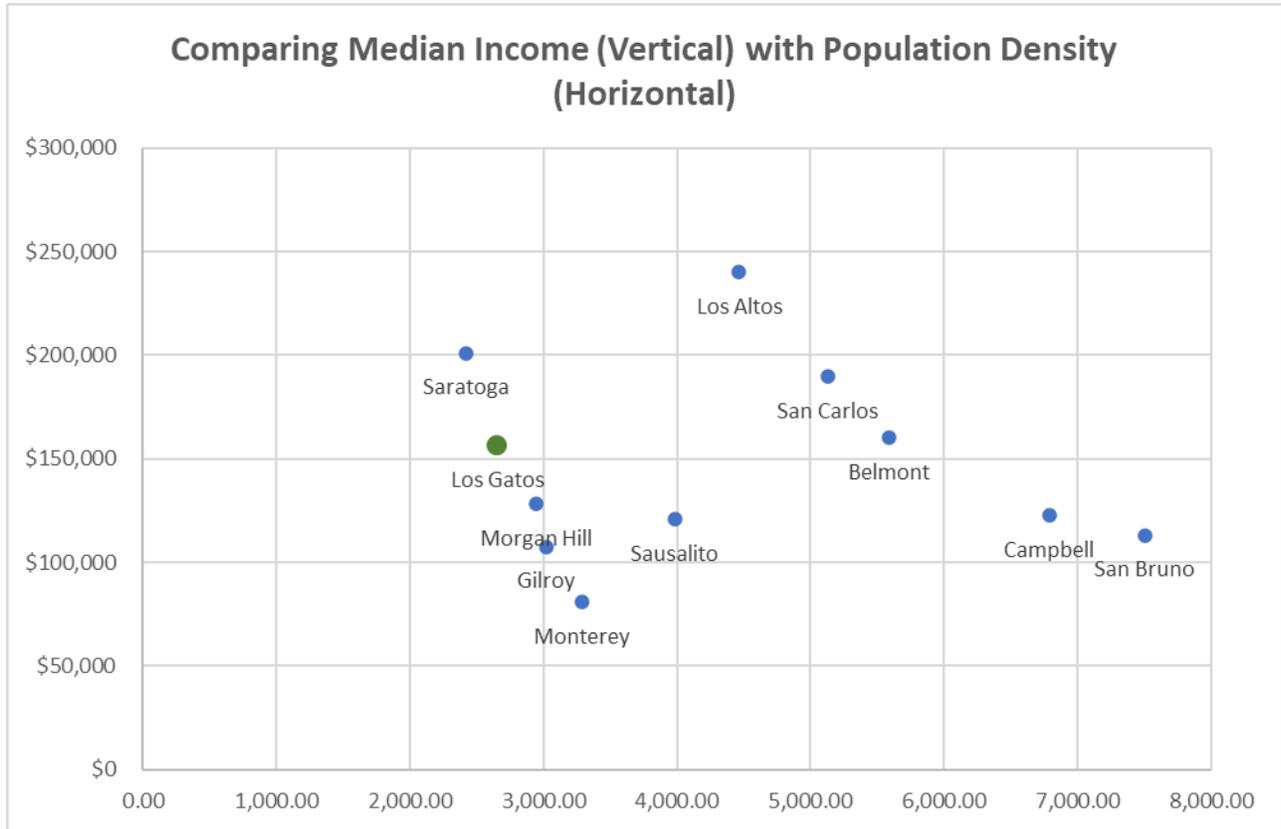
Pie Chart 1:



Town of Los Gatos: Comparison to Neighboring Cities

Below you can see the comparison jurisdictions that we chose to use in the study. They were chosen because they were: (1) in similar geographic regions, (2) were like the Town in median income, and (3) were relatively similar in population density.

Chart 5



The table below highlights population, the estimated number of licensed businesses, and estimated annual revenue for quick comparison. Below the table are some key graphics showing how the Town compares to other jurisdictions. For purposes of comparison, we use the fiscal year 18-19 data. We do so because that data is pre-COVID and so avoids the 'noise' in the data caused by the impact of the pandemic on the Town.

Continued on next page.

Comparison Cities Summary Table (Using FY 18-19 data)

Table 2: Comparison Data

Jurisdiction Name	Est. Square Miles	Est. Population	Est. Median Household Income	Est. Businesses in FY 18-19	Tax Type	Est. Revenue in FY 18-19
Gilroy	16.15	59,520	\$ 107,729.00	3,545	Gross Receipts (capped at \$2k)	\$ 693,758
Morgan Hill	12.88	45,483	\$ 128,373.00	3,341	Employee + Flat	\$ 246,007
Campbell	5.8	43,959	\$ 122,644.00	5,869	Employee	\$ 693,263
San Bruno	5.48	42,807	\$ 113,103.00	4,060	Gross Receipts	\$ 1,814,000
Los Gatos	11.08	33,529	\$ 156,270.00	2,483	Gross Receipts + Fixed Fee	\$ 1,686,251
Los Altos	6.49	31,625	\$ 240,094.00	3,807	Employee	\$ 540,262
Saratoga	12.38	31,051	\$ 201,046.00	3,742	Employee + Flat	\$ 377,106
Monterey	8.47	30,218	\$ 80,908.00	3,866	Gross Receipts	\$ 3,834,852
San Carlos	5.54	30,185	\$ 189,739.00	4,245	Employee + Flat	\$ 1,020,000
Belmont	4.62	26,941	\$ 160,046.00	3,074	Employee & Flat	\$ 880,000
Sausalito	1.77	7,269	\$ 120,920.00	2,285	Gross Receipts	\$ 631,060

As you can see in the above table, the Town's FY19 business tax revenues place it in the top three amongst this comparison group. One interesting comparison is between the Town and Saratoga. These are the two least densely populated jurisdiction in the study but the Town's business tax revenues are significantly higher than those for Saratoga. This is likely influenced by Saratoga's per employee structure. Another instructive comparison is with Belmont. Belmont has almost double the population density of the Town but given its current tax structure received 50% of the tax revenues that the Town did in FY19. This too is likely a function of the Employee and Flat-fee structure currently used in Belmont. Yet another interesting comparison may be with the City of Sausalito. While the City is quite a bit smaller, its per capita revenue is nearly twice that of the Town's and is more than that now given its implementation of a simplified gross receipts model a couple of years ago.

Chart 6: Est. Count of Businesses

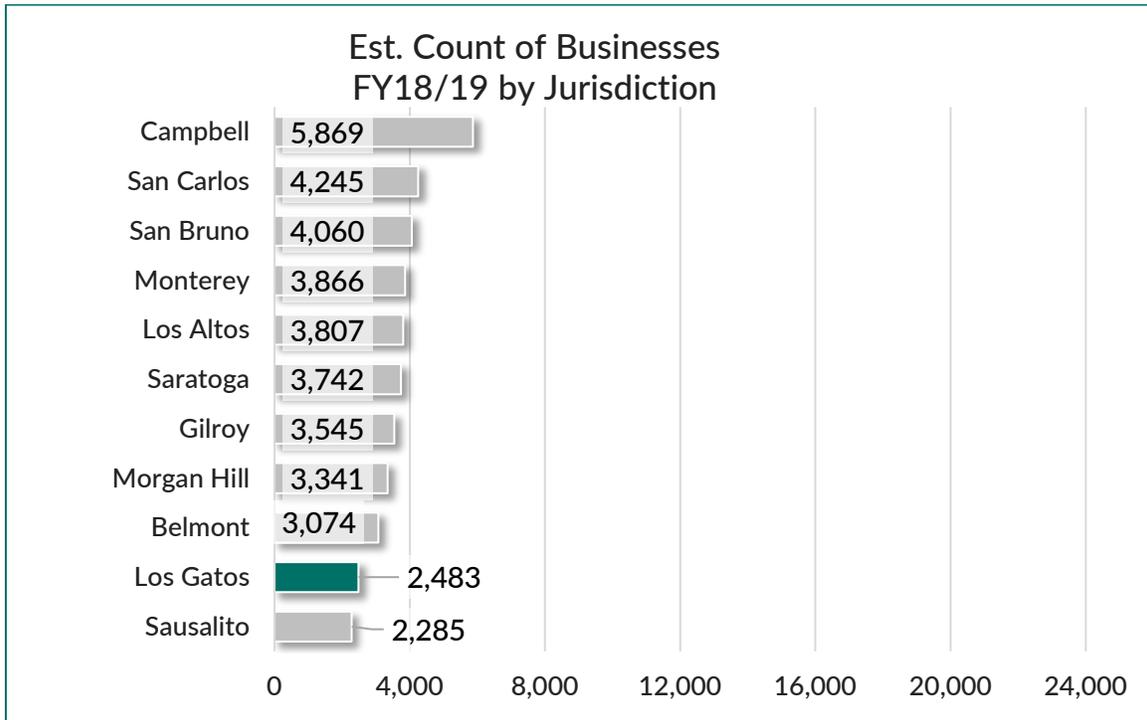


Chart 7: Business Tax Per Capita Comparison

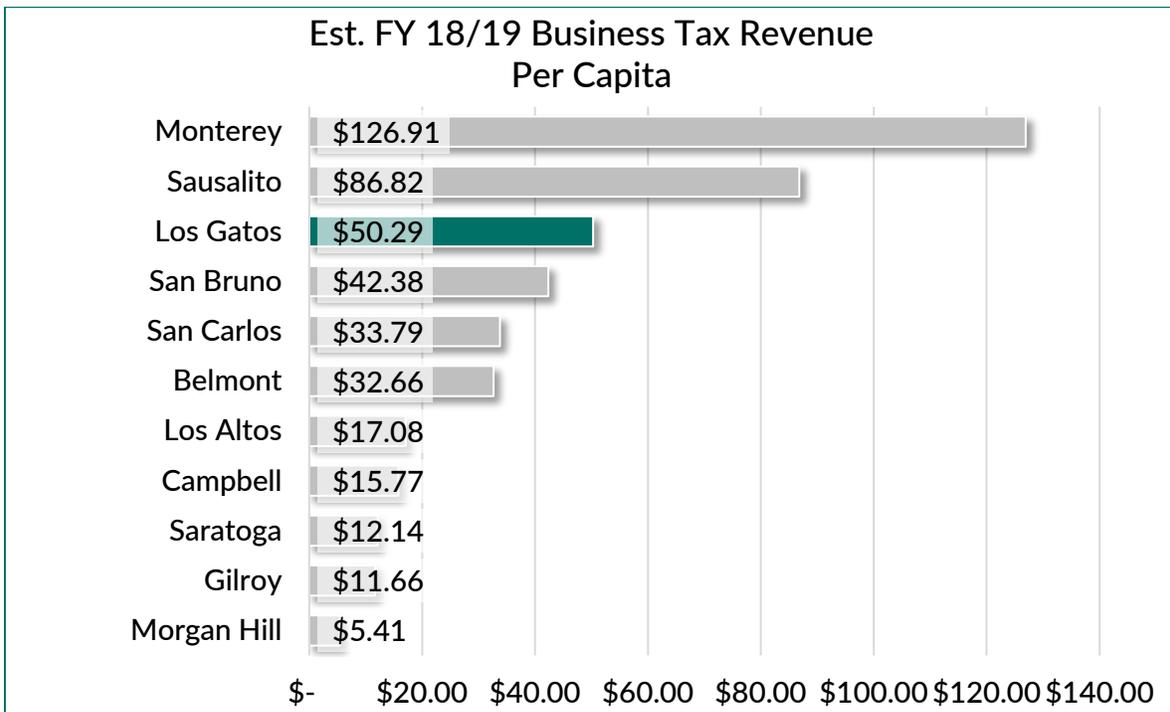
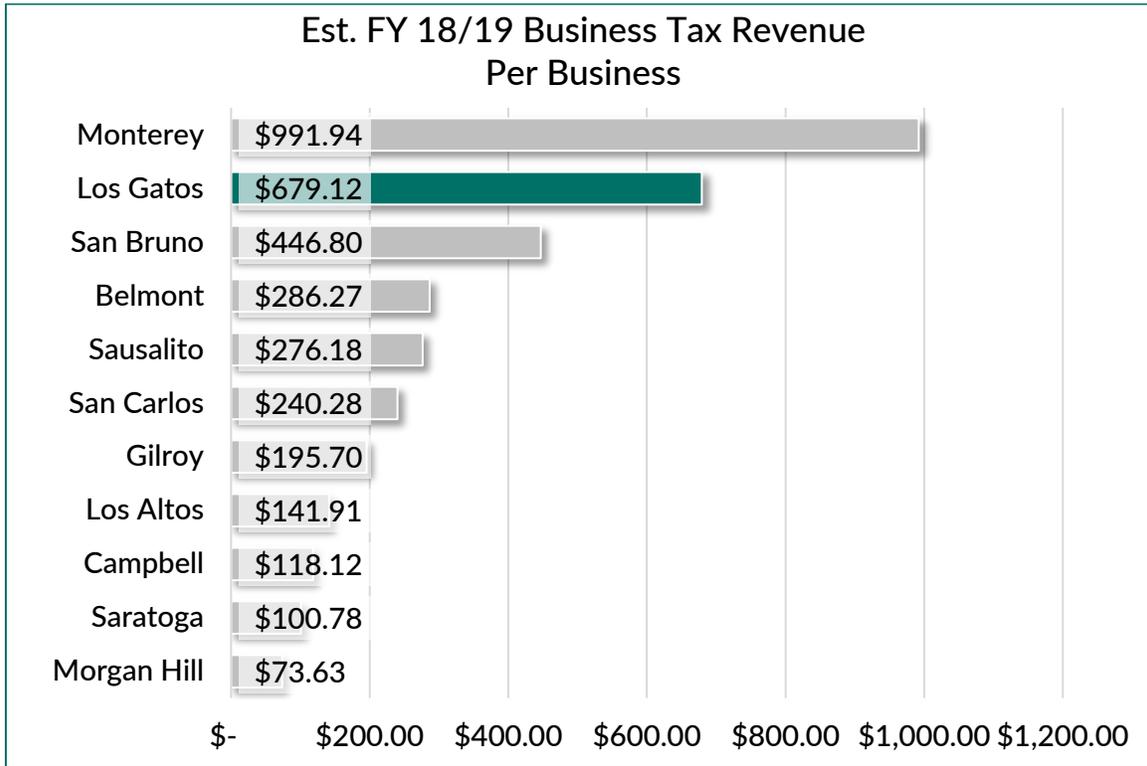


Chart 8: Business Tax per Business Comparison



Rate Comparison - Town of Los Gatos vs. Neighbors

Current Rate Comparison (Table 3)

Sample Business	Los Gatos	Belmont	San Carlos	San Bruno	Los Altos	Sausalito
Small Craft Business: 1 employee / <\$20,000	\$75.00	\$375.00	\$234.00	\$75.00	\$75.00	\$125.00
Restaurant: 3 Employees / \$150,000	\$150.00	\$443.00	\$234.00	\$162.50	\$75.00	\$150.00
Big Retailer: 275 Employees / \$19,000,000	\$975.00	\$9,691.00	\$10,024.00	\$7,750.00	\$2,765.00	\$19,000.00
Hotel / Rental Property: 50 Employees / \$1,500,000	\$375.00	\$341.00	\$2,424.00	\$1,205.00	\$305.00	\$1,500.00
Doctors Office: 20 Employees / \$2,000,000	\$2,150.00	\$3,750.00	\$1,304.00	\$1,480.00	\$980.00	\$6,000.00
Professional Firm: 15 Employees / \$1,100,000	\$1,520.00	\$2,659.00	\$1,009.00	\$985.00	\$735.00	\$3,300.00
Small Contractor: 1 Employee / \$75,000 (outside)	\$224.00	\$341.00	\$234.00	\$75.00	\$75.00	\$150.00
Contracting Firm: 3 Employees / \$225,000 (outside)	\$224.00	\$341.00	\$234.00	\$75.00	\$150.00	\$450.00

Sample Business	Los Gatos	Saratoga	Morgan Hill	Gilroy	Campbell	Monterey
Small Craft Business: 1 employee / <\$20,000	\$75.00	\$110.00	\$20.00	\$40.00	\$124.00	\$26.00
Restaurant: 3 Employees / \$150,000	\$150.00	\$130.00	\$43.00	\$120.00	\$124.00	\$213.50
Big Retailer: 275 Employees / \$19,000,000	\$975.00	\$200.00	\$3,035.00	\$2,000.00	\$572.00	\$28,488.50
Hotel / Rental Property: 50 Employees / \$1,500,000	\$375.00	\$200.00	\$165.00	\$360.00	\$321.00	\$3,585.00
Doctors Office: 20 Employees / \$2,000,000	\$2,150.00	\$200.00	\$640.00	\$100.00	\$400.00	\$2,988.50
Professional Firm: 15 Employees / \$1,100,000	\$1,520.00	\$200.00	\$450.00	\$100.00	\$400.00	\$1,638.50
Small Contractor: 1 Employee / \$75,000 (outside)	\$224.00	\$45.00	\$60.00	\$150.00	\$99.00	\$101.00
Contracting Firm: 3 Employees / \$225,000 (outside)	\$224.00	\$45.00	\$60.00	\$150.00	\$325.00	\$326.00

SECTION 2 – Category & Tax Analysis

The Town requested that HdL conduct an analysis of the current license structures and explore options for modifying the rates and categories. In Section 1, we summarized the current structure of the Town's business tax and compared the town to neighboring jurisdictions to give an idea of how the various tax structures and markets in nearby municipalities are creating different revenue outcomes.

In this section, we provide options for modifying the Town's business tax rates and classifications. Using the data compiled in section 1 of this report on current license revenues, we developed models to estimate potential fiscal impacts to the Town from the different models. You can find summary charts on pages 17-19 that provide a quick look at each proposed model's impact on the Town revenues and the business community.

License Classification and Rate Types

In what follows, we will use five basic categories of businesses. You have seen those categories earlier in Table 1. These are five basic structures that are common across municipalities. The definitions below are general and not meant to be the complete definitions that would appear in a municipal code.

General Commerce/Retail: These are retailers, wholesalers, hoteliers, restaurateurs, and manufacturers. All these businesses are likely to contribute to your tax base in other ways (i.e., property tax and sales tax) and often have lower profit margins.

Rental (Commercial & Residential): This category includes any business that leases, rents, or provides use of real property to another individual or entity for compensation. Examples include but are not limited to commercial leasing, residential rental, parcel leasing, etc.

Service: This is the offering of services that require minimal to no higher education training. This is also the default category for any business that is not specifically defined in one of the other five categories. Examples include but are not limited to hair stylists, gardeners, nail salons, etc.

Professional: These businesses offer services that require a rigorous amount of training through any type of higher education, or vocational institutions that exclusively certifies, complete obtainment of skills and the ability to offer such professional services. Examples include but are not limited to a doctors' office, a law office, a consulting firm, etc.

Contractors: These are persons or firms that are carrying on the business of a contractor, subcontractor, or builder particularly the construction or repair of any buildings. Examples include but are not limited to construction, plumbing, HVAC, etc.

Table 4: Approximate grouping of Town's Businesses by the proposed categories

Business Category Type	Total Count	Total Taxes
CONTRACTOR	539	\$ 128,316
GENERAL COMMERCE/RETAIL	644*	\$ 276,138
RENTAL (COMMERCIAL & RESIDENTIAL)	226	\$ 50,845
SERVICE	512	\$ 505,640
PROFESSIONAL	562	\$ 311,954
TOTALS	2,483	\$ 1,272,892

**Includes 342 businesses that did not have a classification in the data*

Model 1: Existing Categories with Simple Increases

The Town may elect to retain the existing structure while modifying the tax amounts for each category. Keeping the current structure in place would eliminate the need to create different categories and allow for a much simpler implementation for the Town and the business community. It would not avoid the need for an election since it would entail an increased tax rate. And it would not address any administrative complexity in the current workflows.

Table 5: Estimated revenue from a simple percentage increase

Number of Businesses	Est. FY2022 Revenue	20% Increase	40% Increase
2,483	\$ 1,272,892	\$1,527,470	\$1,782,048

Model 1 – Highlights and Impact Review

As indicated in the model above, a simple increase could keep the existing structures in place while yielding higher revenues to the Town. A 20%-40% increase across all sectors of industry is easy to implement but it does nothing to address equity. The drawback of model 1 is that the tax remains regressive. In fact, because it would increase the flat fees, it becomes more regressive. And, thus, does not really fit the Town's objectives.

Models 2 and 3: Gross Receipts Tax – Replace All Categories with Gross Receipts Tax

We now turn to consider two models that are variations on the theme of a gross-receipts-based tax.

Many California cities use some form of gross receipts tax structure. Many of those cities use a standard rate multiplier to determine the tax amount owed, setting the rate for each business category. For example, a city may choose to charge \$1 per thousand dollars of gross receipts ($0.001 \times \text{Gross}$) for a retail business while charging a rate of \$3.00 per thousand dollars of gross receipts ($0.003 \times \text{Gross}$) for service or professional businesses.

The benefits of gross receipts-based taxes are the equity of their effective tax rate, ease of calculation, and potential for capturing revenue from growth in the economy. The drawback is that it exposes Town revenues to the fluctuations of gross receipts in the economy.

Gross Receipts Tax – Estimates

Since we do not have information on gross receipts for the Town's current businesses, we used multiple assumptions in the options below, which are meant to provide an estimate of the possible impact and should not be relied upon for precise budgeting. The following information was used as a basis for the tax tables and models in the options below. Please note that in estimating the Total Gross Receipts, we have chosen to exclude a significant outlier that would skew the models.

Table 6: Key estimates used in the gross-receipts models

Number of Businesses	Total Business Taxable Gross Receipts (Est.)
2,483	\$1.17 billion

Model 2: Gross Receipts Tax – Single Gross Receipts Rate

Model 2 reflects the potential revenues for converting the Town tax to a single-rate, gross-receipts model. This model is simple to administer—everyone is charged the same rate—but it allows the Town to increase revenue. Model 2 also lowers the annual base rate to a uniform \$25, to provide some tax relief for smaller businesses.

Table 7: Model 2—Potential Tax Structure

Tax Basis	Tax Rate
Base Rate	\$25 Flat Rate (first \$25,000 Gross Receipts)
Gross Receipts Tax	+ \$1.50 per thousand dollars of Gross Receipts (0.0015 x Gross Receipts)

Model 2 Estimates Table

The table below indicates the potential revenues from implementing a gross receipts tax with two options, \$1.25 per thousand and \$1.50 per thousand. Information for the estimates comes from the data in the section above. Please note that this model and model three do not include the actual gross receipts. These models use estimated gross receipts based on the business classification. Although, this is generally useful, where, as here, the jurisdiction has taxpayers that far exceed the average, the model will be conservative.

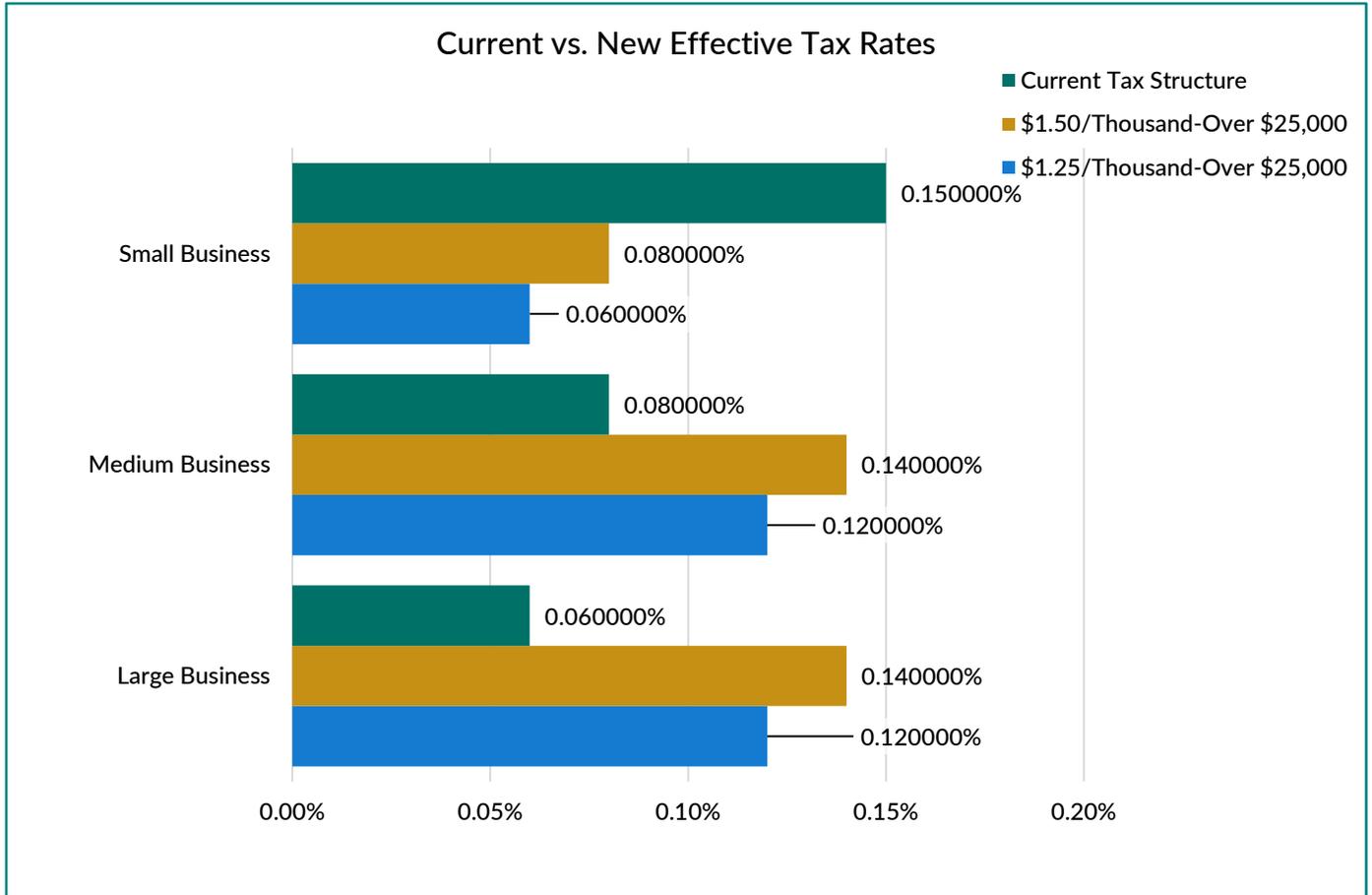
Table 8: Model 2 – Rough Estimates from a simple gross receipts structure

Number of Accts	Taxable Gross Receipts	Base Rate @ \$25 per Account	Tax Amount \$1.25/ thousand -Over \$25,000-	Tax Amount \$1.50/ thousand -Over \$25,000-
2,483	\$1.17 billion	\$62,075	\$1,382,939	\$1,659,527
		TOTAL	\$1,445,014	\$1,721,602

Model 2 – Highlights and Impact Review

The "single rate" method of taxing on gross receipts provides an even distribution of the effective tax rate because all businesses subject to the tax will pay the same rate. Under this method, no cap is put in place, and therefore most of the revenues are received from the highest-grossing businesses. Model 2 expands revenue while keeping the tax structure simple and easy to understand for businesses and helping to decrease the effective tax rate on smaller businesses while asking larger businesses to pay their fair share.

Chart 9: Estimated Effective Tax Rates Under A Simple Gross Receipt Model



Model 3: Gross Receipts Tax – Classification-Based Rates

Model 3, as indicated below, would create different rates for different business classifications. For example, the Town might choose to implement a rate for the retail/wholesale/miscellaneous business activities at a base rate of 0.001, recognizing the higher costs of goods sold and lower profit margins for these types of business as well as their contribution to other Town revenues such as sales tax. Conversely, the Town could consider implementing a higher rate for professionals due to the nature of their business model. This model affords the most flexibility for increasing revenues while accommodating certain business categories. Model 3 utilizes the same base rate as the previous model to resemble the base rate of neighboring cities.

Please note that for the Town of Los Gatos, given its more upscale nature and concentration of professional services, the additional burden placed on professional services in this model may be a serious constraint on how useful Model 3 if it were implemented.

Tax Structure and Estimated Revenue

The following table illustrates how gross receipts rates can vary by categories giving flexibility to the tax structure. The structure provided is just one example of how the Town might utilize a gross receipt model. Should the Town decide to use a gross receipts tax model, HdL will work with the staff to finalize a structure that best serves the Town's goals.

Table 9: Basic tax structure for classification-based gross receipts

Categories	Base Rate	Gross Receipts Tax Rate
CONTRACTOR	\$25 Flat Rate per Business (first \$25,000 in Gross)	0.002 X Gross
GENERAL COMMERCE/RETAIL		0.001 X Gross
RENTAL (COMMERCIAL & RESIDENTIAL)		0.003 X Gross
SERVICE		0.001 X Gross
PROFESSIONAL		0.003 X Gross

Table 10: Estimated revenue from classification-based gross receipts

Business Type	Number of Accts	Est. Taxable Gross Receipts	Base Rate \$25 per business	Total Est. Annual Gross Receipts Tax	Current Taxes
CONTRACTOR	539	\$ 130,595,970	\$ 13,475	\$ 234,241	\$ 128,316
GENERAL COMMERCE/RETAIL	644	\$ 513,460,273	\$ 16,100	\$505,910	\$ 276,138
RENTAL (COMMERCIAL & RESIDENTIAL)	226	\$ 58,682,658	\$ 5,650	\$159,097	\$ 50,845
SERVICE	512	\$ 112,360,600	\$ 12,775	\$ 199,171	\$ 505,640
PROFESSIONAL	562	\$ 353,067,423	\$ 14,050	\$1,017,052	\$ 311,954
	2,483	\$1.17 billion	\$62,075	\$ 2,116,177	
			TOTAL	\$ 2,178,252	\$ 1,272,892

Model 3 – Highlights and Impact Review

This option has the benefit of spreading the burden of an increase across multiple business types. But given the high number of professionals in the Town's economy there would be a significant increase in taxes paid by professional services. While they may be able to absorb the cost, they may also choose to relocate. The impact of such a loss should be considered when evaluating the Town's options. The Town has the option of modifying the rates and reassigning business types to different categories to account for concerns about impacts on different parts of the economy. The model above includes basic rate increases for standard categories but can be further expanded or contracted to accommodate a different method of the Town's choosing.

Proposed Rates Comparisons

Table 11: Comparing Gross-Receipt Models By Hypothetical Business Type

Sample Business	Town's Current Rates	Model 2 Gross Receipt \$1.50 / Thousand	Model 3 Gross Receipts \$1 - \$3 / Thousand
Small Craft Business: 1 Employee / <\$20,000	\$75	\$25	\$25
Nail Salon: 1 Employee/\$100,000	\$112.5	\$138	\$100
Tutor: 1 Employee/\$75,000	\$200	\$100	\$75
Restaurant: 3 Employees / \$150,000	\$150	\$213	\$150
Mid-size Restaurant: 15 Employees / \$2,000,000	\$975	\$2,988	\$2,000
Big Retailer: 275 Employees / \$19,000,000	\$975	\$28,488	\$19,000
Hotel / Rental Property: 50 Employees / \$1,500,000	\$375	\$2,238	\$1,500
Doctors Office: 10 Professional/ 10 Support / \$2,000,000	\$2,150	\$2,988	\$5,950
Doctor's Office: 1 Professional/1 Support/\$745,000	\$215	\$1,105	\$2,185
Doctor's Office: 20 Professionals /1 Support/\$2,000,000	\$4,015	\$2,988	\$5,950
Professional Firm: 15 Employees / \$1,100,000	\$1,520	\$1,638	\$3,250
Attorney: 1 Professional/\$300,000	\$200	\$438	\$850
Small Contractor: 1 Employee / \$75,000 (outside)	\$224	\$100	\$125
Contracting Firm: 3 Employees / \$225,000 (outside)	\$224	\$325	\$425
Ecommerce/Wholesale: 25 Employees/\$4,000,000	\$1,687.50	\$5,988	\$7,975
Estimated Totals	\$13,098	\$49,755	\$49,560

Chart 10: Average Revenue Yield Models By Business Category

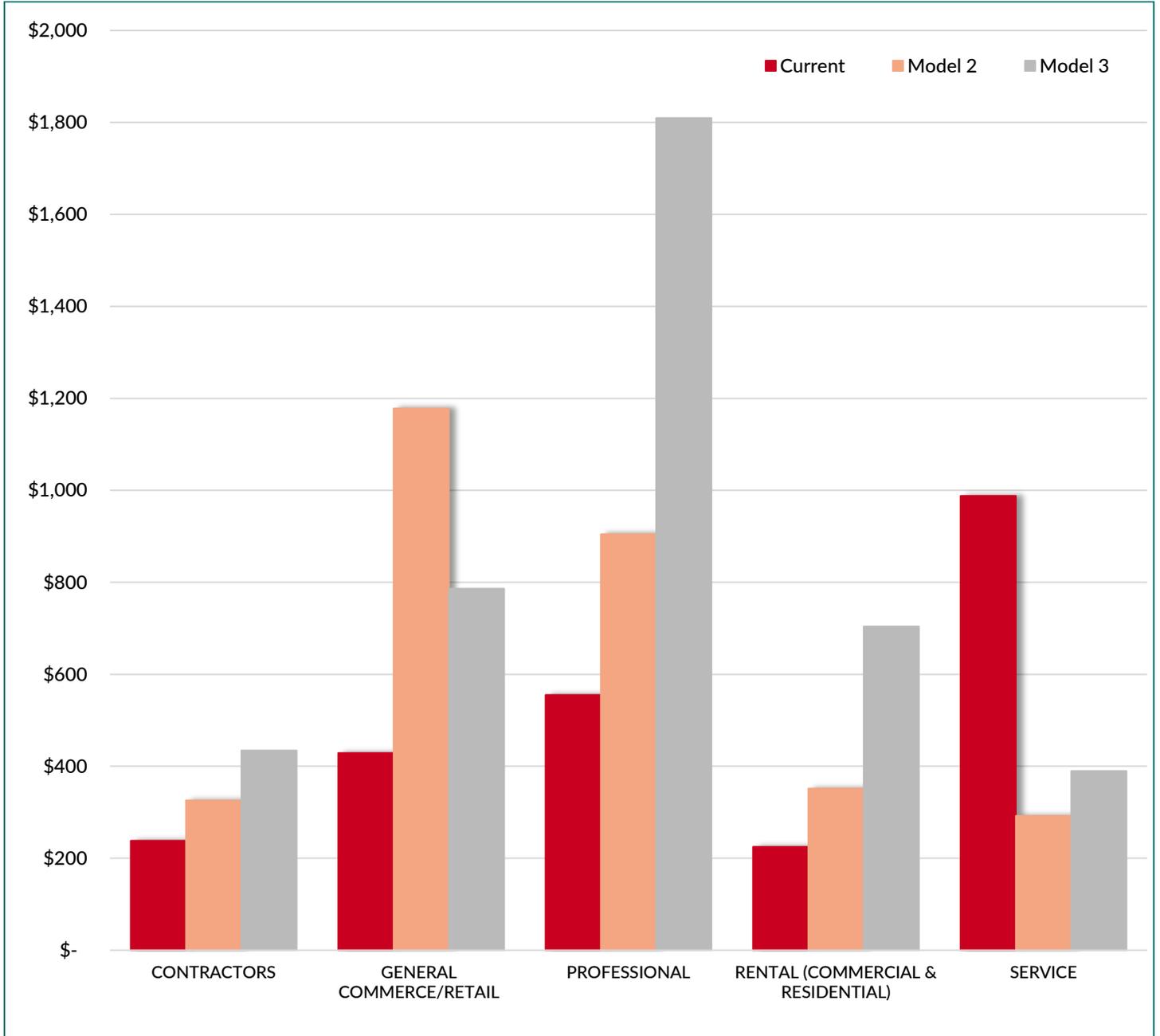
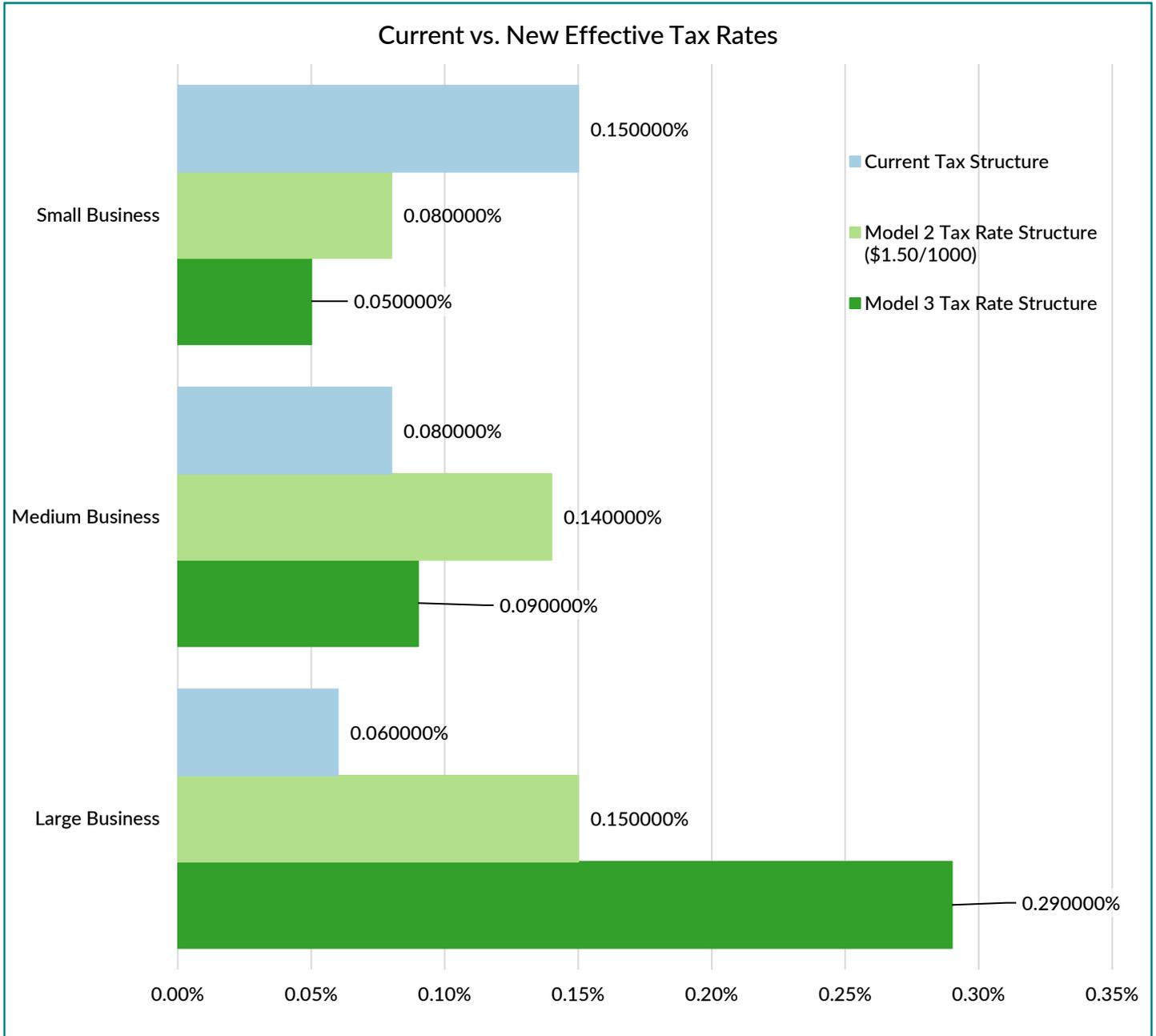


Chart 11: Equity of Models



Appendix A

Code Review

1. Code Section 14.10.10 Definitions

We recommend that the Town update the definition of “gross-receipts” to clarify that transfers from one entity or partner to another, are only excluded if the receiving partner (or entity) has a business license in the Town.

We also recommend that to deal with the rise of start-ups and ecommerce that the definition of “Gross Receipts” should include the cost of operations. For example, if a business is in start-up-mode and has \$10,000 in gross receipts but has significant venture capital backing and thus has a cost of operations of \$1,000,000, that business should use the cost of operations as its gross-receipts and pay the tax on that measure. While this change would add some complexity to the application and renewal process it improves the flexibility of the code for future changes in the economy.

2. Code Section 14.10.015 Statement of Purpose

We commend the Town for having a clear statement that the purpose of the business license is for revenue purposes. This clear statement can be vital in shaping administrative ease and avoiding potential legal issues with intertwining the revenue-based and regulatory measures.

3. Code Section 14.10.025 Branch Establishments

We recommend that this section be amended to add language clearly addressing what happens if two different business activities, having two different classifications, occur at the same location. Generally, municipalities either allow apportionment or require the higher of the two classifications to apply.

4. Code Section 14.10.03 Exemptions.

We commend the Town for the flexible definition of exemptions in subparagraph (a)(1). In that same spirit, the Town may want to consider combining the exemptions in subparagraphs(a)(2)-(4) with the clearer definition of a non-profit entity in subparagraph(a)(5).

Additionally, paragraph (b) contains a small business exemption. And section 14.20.125 contains one for contractors. We recommend consolidating the exemptions or at least placing them together here in this section. It will make it easier for your administrative staff and the community to find and apply the exemptions.

5. Code Sections 14.10.035, 14.10.040, and 14.10.045—Signature requirements

We recommend that you remove the signature requirement. It is of little value—you already have a provision indicating the statements are not binding against the Town—unless you want that ability to prosecute people for perjury. You may also consider removing any requirements for certification or sworn statements, etc., for the same reason. Both requirements can make it difficult to use online processing and thus can increase administrative complexity.

6. Code Section 14.10.040 True-up

Paragraph (b) gives the taxpayer until May 15th to file their true-up. Given that the same information is used for the true-up and the renewal, which is due in January, we recommend that you move the true-up to January to make it easier for your administrative staff and your taxpayers.

7. Code Section 14.10.055 Confidentiality

You may want to consider that your current language here prevents you from sharing information with internal departments. Additionally, it might be good to clarify that some form of aggregated reporting is allowed.

8. Code Sections 14.10.060, 14.10.065, and 14.10.115

In these sections, the Town requires approvals or administrative hearings to go immediately to the Council. We recommend that the code be changed to have the first approvals and hearings conducted by the Town Manager. This can preserve confidentiality for the taxpayer and provides another opportunity for resolution before bringing the matter before the Town Council.

9. Code Section 14.10.075 Delinquencies

It may be difficult to require that no license be issued if they are delinquent. This is particularly true since the purpose of the license is just signify payment of tax and not to authorize the conducting of a business. Put another way, to refuse payment for a current period when back periods are owed may expose the taxpayer to additional penalties. This may be the intent but, if not, the Town may want to consider the cost of this policy. Additionally, we recommend that you add language allowing the Town to recoup the cost of collection.

10. Code Section 14.10.095 Term

You may want to consider clarifying that licenses expire at the end of the duration (i.e. a calendar year and calendar month) and not just at the end of year as stated in this section.

11. Code Section 14.10.105 Transferability

We recommend that you not allow transfers. A change of address may require new zoning or other reviews. We recommend that you require a new application when a business relocates.

12. Code Section 14.10.110 Duplicate License Charges

We recommend that the Town remove the charge for a duplicate. It may make sense to charge it if the requests become excessive but generating a certificate with most modern systems is not sufficiently expensive to justify the overhead of tracking and charging this cost.

13. Code Section 14.10.125

We recommend that Town remove the duty to inspect and replace it with the right and the discretion to inspect. It is unlikely that the Town will inspect all businesses. The cost is too high and the benefits are too low. We also recommend that you add language clarifying that the Finance Director can designate someone else to do this function in their place.