

RESOLUTION NO. 2020-81

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARINA AUTHORIZING AN ABATEMENT OF BUSINESS LICENSE PENALTIES UNTIL OCTOBER 2020 AND OFFERING TO WAIVE PAST PENALTIES FOR UNREGISTERED BUSINESSES WHICH REGISTER AND PAY THEIR PAST DUE TAXES BY OCTOBER 31, 2020.

WHEREAS, the City of Marina authorized a business tax measure in November of 2016; and

WHEREAS, the City of Marina Council has some discretion on the administration of that tax; and

WHEREAS, the COVID-19 event has greatly depressed business activity in order to maintain the health of the community; and,

WHEREAS, the City Council actively seeks to support local businesses;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MARINA DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. The City Council does abate business tax penalties until October 31, 2020

SECTION 2. For unregistered businesses, the City will waive penalties from prior years if the business registers and pays its past taxes by October 31, 2020.

PASSED and ADOPTED by the City Council of the City of Marina at an adjourned regular meeting duly held on this 23rd day of June 2020 by the following vote:

AYES, COUNCIL MEMBERS: Berkley, Urrutia, O'Connell, Morton, Delgado

NOES, COUNCIL MEMBERS: None

ABSENT, COUNCIL MEMBERS: None

ABSTAIN, COUNCIL MEMBERS: None

Bruce C. Delgado, Mayor

ATTEST:

Anita Sharp, Deputy City Clerk

Date: May 28, 2020

Item No: **11c(ii)**

Honorable Mayor and Members
of the Marina City Council

City Council Meeting
of June 2, 2020

**CITY COUNCIL CONSIDER ADOPTING RESOLUTION NO. 2020-,
AUTHORIZING AN ABATEMENT OF BUSINESS LICENSE PENALTIES
UNTIL OCTOBER 2020 AND OFFERING TO WAIVE PAST PENALTIES
FOR UNREGISTERED BUSINESSES WHICH REGISTER AND PAY THEIR
PAST DUE TAXES BY OCTOBER 31, 2020.**

REQUEST:

That the City Council consider a resolution:

- 1) Abating all penalties for business license taxes until Oct. 1, 2020;
- 2) Offering to waive all past due penalties for unregistered business who pay all past due business taxes by Oct. 1, 2020

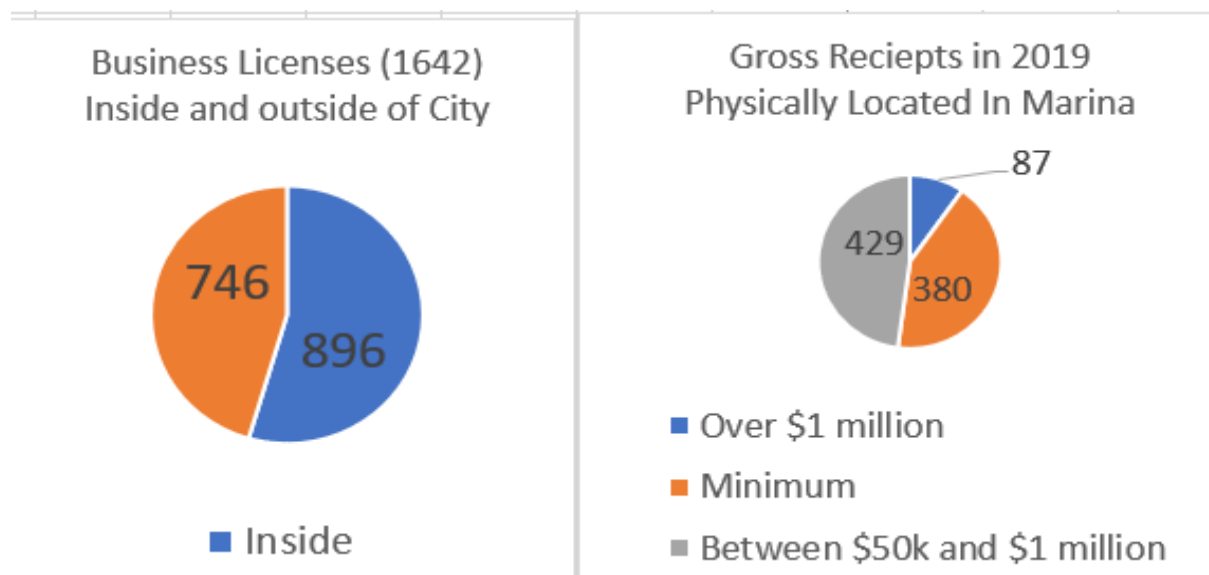
BACKGROUND:

Business License Background. The Marina voters in November of 2016 passed the current business tax law. The City of Marina has 1,642 registered business licenses. These businesses pay 0.2% business license tax, with the minimum tax being \$100 or \$50,000 in receipts. The tax in past years has generated annually about \$1.5 million. The business license is paid in advance for the full year. The City sends the following notices to businesses:

April	Request for businesses to declare their gross receipts
June	Business License, due by the end of July
August	10% penalty if not paid before this month
Sept.	10% + 25% penalty, if not paid before this month
October	10% + 25% + 15% penalty, total 50%, if not paid before this month

A substantial number of business located outside Marina pay the business license tax when they conduct business inside Marina, a little less than ½ of the businesses. Inside the City, Marina has a total of 896 businesses. Of this number, 430 businesses pay the minimum payment, meaning that their gross receipts are less than \$50,000 a year. 87 Marina businesses have gross receipts more than \$1 million. Pie Charts I, Business License Statistics, recaps the make-up of Marina's business licenses. Thus, 429 businesses have receipts between \$50,000 and \$1,000,000 a year.

Pie Charts I
Business License Statistics



ANALYSIS:

Potential Council Action. In response to the COVID 19 event, many cities have modified their business license process to allow some relief to businesses. The biggest relief might be to give the business a little more time to determine if they will continue as a business. Thus, if a business could assess its situation, it would feel better about paying its business license, although .002% of a business' revenue is typically a nominal amount.

One approach would be to abate the business license tax penalties until October 31, 2020, providing 3 months for a business to assess their situation and be properly be charged for their license based upon their COVID 19 adjusted gross receipts. (It should be noted that if a business has had its receipts decline dramatically, their tax should also decline proportionally. Finance estimates a 13 - 25% decline in business license receipts for next year.)

Thus, for this year, penalties would be abated until the following dates:

November	10% penalty if not paid before this month
December	10% + 25% penalty, if not paid before this month
January	10% + 25% + 15% penalty, total 50%, if not paid before this month

As an alternative, the Council does have the power to adjust the rate below .002%. However, Business Tax receipts will down this next year due to reduced economic activity. Thus, businesses will be paying smaller business tax fees already. The tax represents .002% of their gross receipts, \$200 per \$100,000 of sales. Staff does not recommend this option.

Optional Program. Some cities have used this time to allow businesses which have previously been unregistered to register and pay their past due business tax without incurring penalties. Each year, the City will discover businesses that have not obtained a business license. The City will assess them three years of business taxes in such case, including penalties of 50% for the past years.

Finance recommends letting businesses that have gone unregistered that the Council will waive past penalties if the business pays all past due business tax fees before November 1, if Council abates the business tax fees until then.

FISCAL IMPACT:

Business license tax is deposited into the General Fund. It is expected to drop this next year due to the general downturn in economic activity. An abatement of the tax penalty does not change the expect receipts and the economic loss of interest income on penalty revenue will be less than \$1,500.

The amnesty program could potentially generate \$10,000 to \$20,000 in additional revenue.

CONCLUSION:

This request is submitted for City Council consideration and possible action.

Respectfully submitted,

Eric Frost
Finance Director
City of Marina

REVIEWED/CONCUR:

Layne Long
City Manager
City of Marina

SOURCE OF FUNDING: General Fund