

14-0945
related CFs: 09-1914,
09-1914-512

MOTION

In March of 2010, the City Council and Mayor approved Ordinance #181127 (CF 09-1914) to reduce business tax rates for internet-based businesses. The intent of this action was to create jobs by reducing the cost of locating or expanding a business within the city, and to retain these extremely mobile businesses in the City. This effort to target internet-based businesses, as well as other desirable business categories, was the result of extensive discussions and analyses both in City Hall and in the business community where various business tax reforms were considered, including extension of the business tax holiday, freezing the current tax base, and possibly eliminating the gross receipts tax.

The reduction in the City's internet-based business tax rate that was enacted in 2010 is set to expire, since the tax-rate reduction is only effective through 2014. This pending 'sunset date' will allow the City to measure its effectiveness before taking the next steps. The City is now at the decision point whether to continue this reduction, further modify it, or eliminate it altogether. To ensure that the City's policymakers have comprehensive information regarding the impact of this prior Council action, City staff should immediately begin an analysis of the past five years of data, as well as tax year's preceding this period, to determine the true impact to businesses and the local economy of this tax reduction.

I THERFORE MOVE that the City Council instruct the Office of Finance and the Economic and Workforce Development Department, with the assistance of the CAO and the CLA, to report to the City Council by September 1, 2014 with a comprehensive analysis of the impact and effectiveness of Ordinance #181127, which temporarily reduced the internet-based business tax rate. This report should include details for each fiscal year from 2007 to 2014 on the number and types of businesses in this tax category, including an estimate of the total number of employees in those businesses; the business's total gross revenues for each fiscal year; total tax revenue by fiscal year; and a broad analysis of the economic impact of this tax policy decision on the local economy.

I FURTHER MOVE that the report include recommendations whether to continue, modify, or terminate the current reduced internet-based business tax rate as enacted in 2010.

PRESENTED BY:


BOB BLUMENFIELD
COUNCILMAN, 3rd DISTRICT

SECONDED BY:



ORIGINAL

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 JUL 2 2014