



Office of the City Manager

CONSENT CALENDAR

June 16, 2020

To: Honorable Mayor and Members of the City Council  
 From: Dee Williams-Ridley, City Manager  
 Submitted by: Henry Oyekanmi, Director, Finance Department  
 Subject: FY 2021 Tax Rate: Business License Tax on Large Non-Profits

RECOMMENDATION

Adopt first reading of an Ordinance setting the FY 2021 tax rate for Business License Tax on large non-profits at \$0.6659 (66.59 cents) per square foot of improvements.

FISCAL IMPACTS OF RECOMMENDATION

The increase in the tax rate from \$0.6420 (64.20 cents) per square foot of improvements in FY 2020 to \$0.6659 (66.59 cents) per square foot of improvements in FY 2021, based on the Personal Income Growth (PIG) of 3.730% will result in estimated total collections of approximately \$472,801 from \$455,800 in FY 2020.

CURRENT SITUATION AND ITS EFFECTS

The non-profit organizations with over 120,000 square feet of business improvements were taxed at a rate of \$0.6420 (64.20 cents) in FY 2020, as approved by the voters with Measure S on November 2, 2010. That measure also approved the indexing of tax for inflation, based on the higher of Personal Income Growth or the Consumer Price Index in May. The PIG reported in May 1, 2020 was 3.730% while the CPI reported on May 12, 2020 by the U.S. Department of Labor's Bureau of Labor Statistics was 1.110%

BACKGROUND

In 1994, the voters of California adopted Article XIII, Section 26 of the California Constitution, which prohibits local governments from taxing non-profit organizations based on their gross receipts. Prior to this date, the City's business license tax ordinance had imposed a gross receipts tax on non-profit organizations, which raised approximately \$250,000 per year. Article XIII, Section 26 does not prohibit local agencies from taxing non-profit organizations on bases other than gross receipts. On November 3, 1998, the voters approved Measure G with over 61% of the votes cast. Measure G amended the City's business license tax ordinance to impose a charge of \$0.51 (51 cents) on the square footage of business improvements over the first 120,000 square feet, and would be indexed for inflation, according to the cost of living in the immediate San Francisco Bay Area in May.

ENVIRONMENTAL SUSTAINABILITY

There are no identifiable environmental opportunities or effects associated with the subject of this report.

CONTACT PERSON

Henry Oyekanmi, Director, Finance Department, 981-7301

Attachments:

1: Ordinance

ORDINANCE NO. - N.S.

SETTING THE FY 2021 MUNICIPAL TAX RATE FOR THE CITY OF BERKELEY FOR  
BUSINESS LICENSE TAX ON LARGE NON-PROFITS

BE IT ORDAINED by the Council of the City of Berkeley as follows:

Section 1. The rate of tax for the FY 2021 business license tax on large non-profits is as follows:

\$0.6659 per square foot of improvements over 120,000 square feet

Section 2. This Ordinance shall take effect and be in full force from and after its final passage.

Section 3. Copies of this Ordinance shall be posted for two days prior to adoption in the display case located near the walkway in front of the Maudelle Shirek Building, 2134 Martin Luther King Jr. Way. Within 15 days of adoption, copies of this Ordinance shall be filed at each branch of the Berkeley Public Library and the title shall be published in a newspaper of general circulation.

