



FY 2019 Recommended Budget Budget Question

Board Question #: 1

BUDGET QUESTION: What is the estimate of the revenue that would be lost if the County were to exempt the first \$999,999 in gross receipts from taxation for those businesses meeting the \$1 million threshold?

RESPONSE: A business must have gross receipts of \$1 million before they begin paying the Business License (BPOL) tax. As you know, the Board voted to change the threshold from \$750,000 to \$1 million effective for calendar year 2018. This means that a business with gross receipts of \$999,999 pays no taxes while a business with gross receipts of \$1 million pays taxes based on that \$1 million.

We estimated the revenue loss at approximately \$1.4 million¹ with each business' tax being reduced by an average of \$1,800. **However, please be aware that the software used for BPOL tracking and processing is not currently programmed to meet this request. Programming by the vendor would have to be funded and undertaken for this initiative to work as contemplated in the question.**

Why Is This Complicated?

This is complicated by the fact that many businesses fall into multiple BPOL tax categories. As an example, assume a car dealership with gross receipts of \$65 million. That \$65 million is spread between three BPOL categories with differing rates:

Category	Gross Receipts	Rate per \$100
Retail	\$50M	\$0.10
Repair	\$10M	\$0.18
Wholesale	\$5M	\$0.025
Total	\$65M	

The software figures taxes on the individual categories, not on the overall total gross receipts. As such, there is no way for the current program to take \$999,999 off the top of the \$65 million total for this example business.

What Can Be Done With The System As It Is?

The system as it is configured today would allow for \$999,999 to be taken off the top of each category, but then that means a business with receipts in three categories would get a roughly \$3 million exemption whereas a business with receipts in only one category would be limited to a roughly \$1 million exemption. We would not recommend this as a viable, equitable option.

¹ There are approximately 800 businesses paying Business License taxes. Each of those would be eligible for the \$999,999 exemption. The Business License tax rate paid is dependent upon the category of business with most rates being \$0.18 per \$100. Assuming $(800 \times \$999,999) / \$100 = \$7,999,992$, and then assuming the most prevalent rate of \$0.18 is applied $(\$7,999,992 \times \$0.18) = \$1,439,999$.

FY 2019 Recommended Budget

Budget Question

What Could We Imagine With Some Reprogramming?

Through reprogramming of the system, we could imagine parameters where the system applies the \$999,999 exemption first against the category with the highest tax rate, then to the category with the next highest tax rate, and so forth until the \$999,999 is distributed. If this change were to occur, time would need to be spent educating the taxpayers as to how the tax calculations would be applied. We do not know what the cost of this reprogramming would be, the timeframe it would take to implement, or the legality of such an exemption process.

If the Board wishes to proceed with gathering additional information after learning of the \$1.4 million loss in revenue associated with this, please let us know and we can request a legal opinion and, if the opinion is favorable, then request a quote for reconfiguration of the system.