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**Impartial Analysis
Measure DD
Business License Tax Restructuring**

Measure “DD” asks Belmont voters whether to approve an ordinance restructuring the city’s existing business license tax program. The City Council unanimously placed Measure “DD” on the ballot by adopting Resolution 2024-57. The measure requires a simple majority vote (50% + 1) to pass.

A business license tax is paid by a business for the privilege of operating in the city and may be no more than an amount that fairly reflects that proportion of a business’s activity within the city. Belmont’s current business license tax structure divides business activity into 16 categories and 27 subcategories that are taxed by one or more fee setting methods. The current program taxes some businesses a flat amount, some a flat amount plus an amount for each employee, some a flat amount plus an amount based on the number, size or value of a business component or product, and some are taxed only on gross receipts subject to a minimum amount. A limited number of businesses making less than \$1,500 are exempt from paying tax. Nearly all businesses are currently required to pay a minimum of \$341. Because many smaller grossing businesses pay approximately the same general amount as large grossing business, smaller businesses may pay a significantly higher effective tax rate than large businesses. The existing program generates general fund revenues of approximately \$1.2 million annually and provides that rates may be adjusted yearly by a cost-of-living index.

If approved the Measure will reduce and reorganize the business categories into four and establish rates based only on gross receipts derived from business activity within the city. Businesses with less than \$10,000 in gross receipts would not pay tax. The categories are summarized below:

	Rates per \$1,000 of gross receipts
Category 1 (e.g., restaurants, retail establishments)	Up to \$0.40
Category 2 (e.g., tutoring, hairstylist, gardener)	Up to \$0.75
Category 3 (e.g., professional services, contractors, rentals)	Up to \$1.00
Category 4 (cannabis businesses)	Up to \$100.00

The proposed rate structure will lower the total amount paid by the majority of businesses and increase the amount paid by larger businesses and is expected to generate approximately the same revenue as the current tax. The City Council could lower the rates but the rates could not be increased without voter approval. The Measure’s revenue would be deposited to the city’s general fund and controlled exclusively by the City Council (not by the state) and utilized for general governmental purposes such as fixing potholes, maintaining parks and open space, providing recreation programs, and 9-1-1 emergency response. The tax would remain in place until changed by the voters.

The Measure includes a category for cannabis businesses, however, the Measure neither allows nor prohibits such businesses. The City Council would retain authority to decide whether or not to allow cannabis businesses to locate in the city.

A “yes” vote would approve restructuring the business license tax program as summarized above.

A “no” vote would reject the measure and keep the current business license tax structure.

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AUG 20 2024

