



CITY OF
Richmond CALIFORNIA

City of Richmond

Business Tax and Measure U Implementation

October 19, 2021, from noon to 1:00 pm
October 20, 2021, from 10:00 to 11:00 am
October 21, 2021, from 6:00 to 7:00 pm

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Management
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Agenda

- Overview of Measure U
- Review Measure U Chronology
- Review and Discuss Gross Receipts Calculation Examples
- Discuss Next Steps

Informational Session Guidelines



Listen to
understand

Participate

Stay
focused

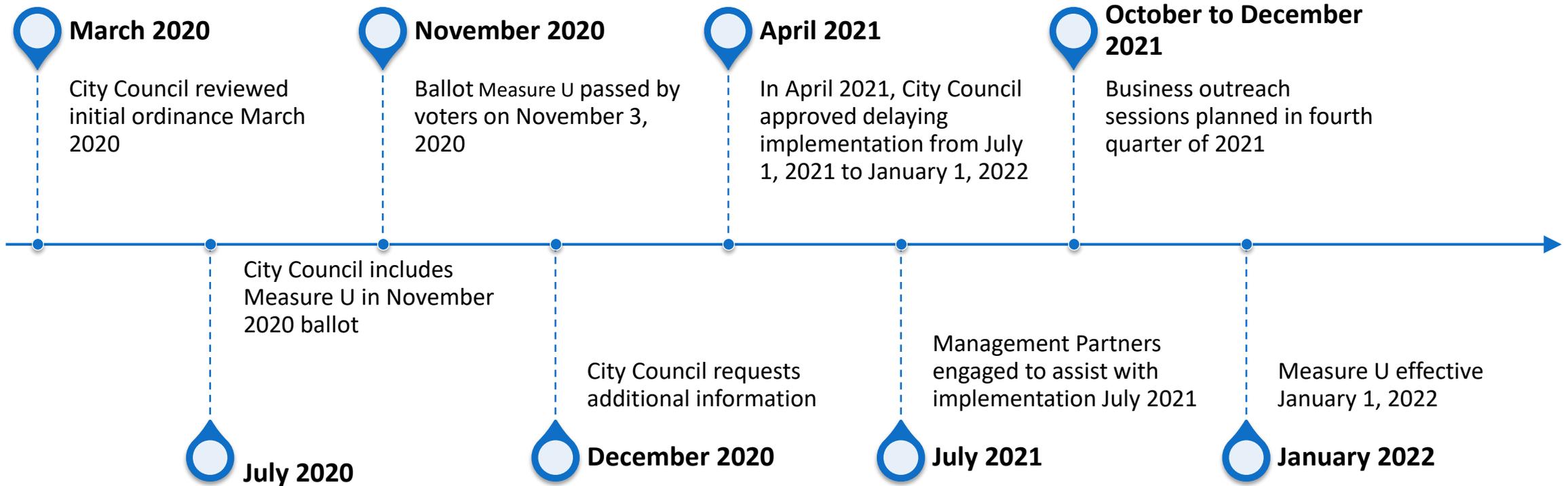
Document and
share your
questions

What Is a Business Tax?



- ❖ **It is** a general tax collected by the City of Richmond for the privilege of doing business in the community
- ❖ **It is not** “a sales tax or use tax or other excise tax on the sale, consumption, or use of any products”

Measure U Business Tax Chronology



How Does Measure U Change the Business Tax?

Current tax based on number of employees

- In place over the past five decades
- Based on the number of employees and an annual rate of \$238.10
 - Rate is \$46.80 for businesses with 25 or fewer than employees
 - Rate is \$40.10 for businesses with more than 26 employees
- Renewals due on initial application anniversary

Measure U and tax based on gross receipts

- Effective January 1, 2022
- Businesses taxed based on annual gross receipts
 - Renewals based on actuals for calendar year 2021
 - New business tax certificates based on estimated gross receipts (i.e., first and second business tax certificates)
 - Rates correlate to IRS six digit “primary business activity code”
- All renewals due on a calendar year basis

Other Jurisdictions with Taxes Based on Gross Receipts

Berkeley, CA

Concord, CA

Foster City, CA

Oakland, CA

San Francisco, CA

San Mateo, CA



Measure U: Example One

Question: I'm a local business and my business tax certificate renews on January 1, 2022. What should I expect as I renew under the new Measure U business certificate tax structure?

About 70% of the City's current business tax certificates will renew on January 1.

Answer: Measure U takes effect on January 1, 2022. You will pay your 2022 business tax based on your actual gross receipts for 2021. Refer to the City's business tax calculator at <https://www.ci.richmond.ca.us/2913/Measure-U---Gross-Receipts-Ballot-Measur>

Measure U: Example Two

Question: I operate a nonprofit in Richmond. Do I need to pay a business tax under the new ordinance?

Answer: No. Nonprofits do not pay the tax. However, they do need a business tax certificate. In addition, reviews and approvals by the Planning Division and Fire Department may be required.

Measure U: Example Three

Question: I'm a local business operating a location in Richmond. My business tax will renew on November 1, 2021. How will my business tax be calculated?

Answer: Measure U takes effect on January 1, 2022. You will pay your 2021 tax under the "previous" ordinance based on total employees.

When you renew your business tax certificate in November 2022, you will pay based on your actual gross receipts for 2021. Your business tax will be prorated based on the number of months the certificate will be effective in 2022. (Two months in this example.)

Your business tax certificate for 2023 will be renewed on a calendar year basis as part of the City's annual renewal process based on gross receipts collected in 2022.

Measure U: Example Four

Question: I own 10 residential rental properties in Richmond, and each has a separate address. How will my business tax be calculated?

Various residential rental property types that provide for “affordable housing” are subject to a tax exemption. However, owners must provide proof of affordability to secure the tax exemption.

Answer: Measure U takes effect on January 1 and residential rental property owners will be required to secure a business tax certificate and pay for their tax by March 1, 2022.

With 10 residential rental properties located at separate addresses, the owner will be required to secure a “master certificate” and the tax will reflect aggregation of gross receipts for all locations.

Measure U: Example Five

Question: I am a contractor performing work in the City of Richmond and I have engaged subcontractors on my project. How many business tax certificates are required and how are the taxes calculated?

Answer: All contractors/firms as well as subcontractors performing work in the City need to secure a business tax certificate. However, the calculation of the tax will be based on the estimated gross receipts of the project(s) in the current calendar year.

Measure U: Example Six

Question: I own a single-family residence and an accessory dwelling unit (ADU). Will I pay business tax?

Answer: You will be exempt from paying business tax provided:

- You live in one of the units as your principle residence and receive a homeowners property tax exemption,
- You have owned and lived there for one year,
- Your total income is less than or equal to 150% of the area median income, and
- You do not own any other residential rental property in the City.

Measure U: Example Seven

Question: I own a single-family residence and I rent out two rooms. Will I pay business tax?

Answer: You will be exempt from paying the business tax as long as:

- You live in one of the units as your principal residence and receive a homeowners property tax exemption,
- You have owned and lived there for one year,
- Your total income is less than or equal to 150% of the area median income, and
- You do not own any other residential rental property in the City.

Measure U: Example Eight

Question: I own a single-family residence and I rent out three rooms. Will I pay business tax?

Answer: You will be eligible for a reduced business tax (on one-third of gross receipts) as long as:

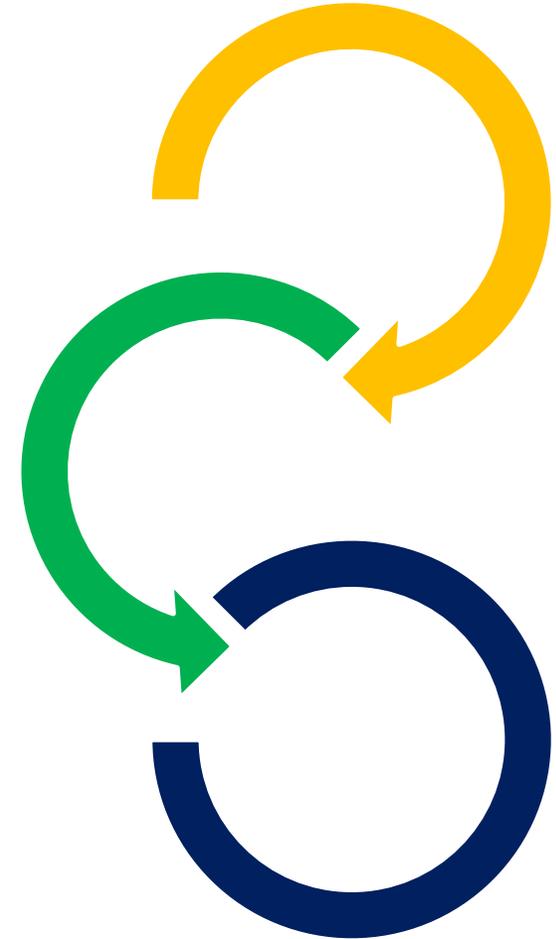
- You live in one of the units as your principal residence and receive a homeowners property tax exemption,
- You have owned and lived there for one year,
- Your total income is less than or equal to 150% of the area median income, and
- You do not own any other residential rental property in the City.

Comments on Public Information Tools

Review the frequently asked questions (FAQ) list

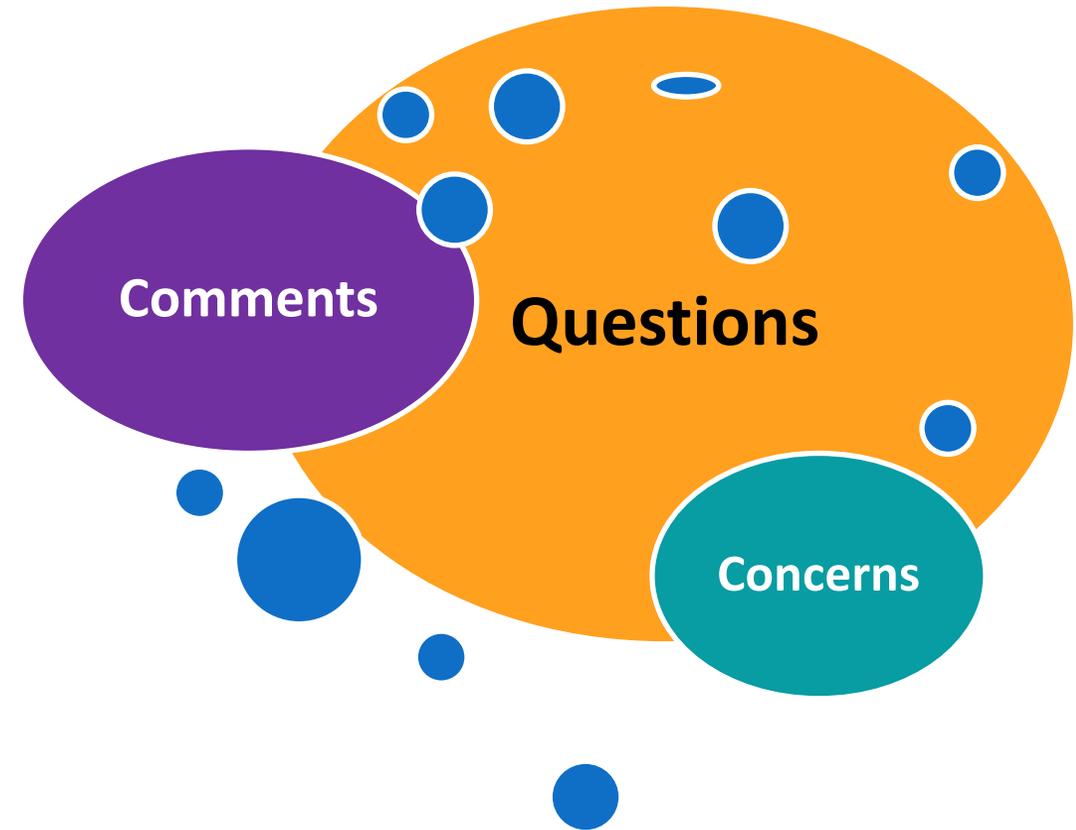
Sending business information requests to prepare for December mailing of renewal notices

Leave questions for staff on the business tax certificate hotline 510-620-5555



Questions and Comments

- What concerns you most about the change?
- What other information or assistance do you need from the City to be successful to respond to this change?
- What other questions or comments would you like the City to answer?
- Submit written comments by email to measure_u_info@ci.richmond.ca.us



Next Steps

**Business
informational
meetings**

**Renewal information
and notices sent
through December**

**City Council
discussion November
2021**



CITY OF
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Thank you!

Management
Partners

