



## City of Richmond

### Business Tax Frequently Asked Questions (FAQs)

#### What is a business tax?

A business tax is an annual fee charged for engaging in business activities within a city. The business tax may be used by the city for any governmental purpose.

#### What is a business tax certificate (or business license)?

A business tax certificate is proof that a business tax has been paid. In Richmond, a business tax certificate is effective from January 1 through December 31 of the same year.

#### Who needs a business certificate?

Every person conducting any business activity in the City of Richmond needs to obtain an annual business tax certificate and pay an annual business tax. This applies to homebased businesses and rental properties as well as commercial businesses.

#### How will business taxes change with the approval of Measure U?

Effective January 1, 2022, Measure U changes the methodology used to calculate the business tax. Business taxes will be based on a rate connected to a business activity classification and applied to gross receipts. See the business activity classifications below.

#### Measure U Business Activity Classifications

Class	Industry
A	Retail Sales

<b>B</b>	<b>Grocers</b>
<b>C</b>	<b>Automobile Sales, Manufacturing</b>
<b>D</b>	<b>Recreations and Entertainment</b>
<b>E</b>	<b>Hotel/Motel</b>
<b>F</b>	<b>Construction Contractor</b>
<b>G</b>	<b>Business and Personal Services</b>
<b>H</b>	<b>Professional/Semi-professional Service</b>
<b>I</b>	<b>Administrative Headquarters (payroll based, not gross receipts)</b>
<b>J</b>	<b>Miscellaneous</b>
<b>K</b>	<b>Residential and Commercial Rentals</b>
<b>L</b>	<b>Cannabis</b>
<b>M</b>	<b>Firearms Ammunition</b>
<b>N</b>	<b>Taxi and Limousine Service</b>
<b>O</b>	<b>Transportation, Trucking</b>

## When does Measure U take effect?

Measure U and the revised method for calculating business taxes take effect on January 1, 2022 and apply to all business tax certificates with effective dates in 2022 regardless of when payment is made. Businesses renewing in 2021 will renew under the “previous” methodology.

## Business Tax Certificates Renew on Different Dates. How will Measure U be Implemented?

Measure U requires that business tax certificate renewals will be based on the calendar year. Examples of how Measure U will be implemented are listed below.

1. For local businesses that renew their business tax certificate on January 1, 2022, Measure U takes effect on January 1, 2022. Businesses will pay the 2022 business tax based on actual gross receipts for 2021.
2. For local businesses that will or have already renewed their business tax certificate in 2021:
  - a. When the business tax certificate is renewed in 2022, the business will pay based on actual gross receipts for 2021. The business tax will be prorated based on the number of months the certificate will be effective in 2022.
  - b. The 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.

## **What are gross receipts, and which need to be reported to the City?**

Gross receipts are the total amounts received in connection with engaging in a business in the City of Richmond.

1. If your business is physically located in the City of Richmond, all gross receipts received/receivable in the city need to be reported.
2. If your business has locations outside of Richmond, gross receipts received/receivable for business conducted in the City of Richmond need to be reported.

## **How do I obtain a new business certificate?**

If you are in business and haven't previously obtained a business tax certificate in Richmond, you can apply by submitting an application by mail or applying online.

1. Apply online at <https://etrakit.ci.richmond.ca.us>
2. Apply by mail:

- a. If you are operating a business, download the Business License Application (2021) or Business Tax Application (2022) form, complete it and mail it to:

City of Richmond  
Finance Department - Business Tax Division  
450 Civic Center Plaza, 2nd Floor  
Richmond, CA 94804

- b. If you are operating a residential rental, download the Rental Property Business Application form, complete it, and mail it to the Business Tax Division above.
3. Regardless of the method used to submit a new application, the City's Planning Division will need to review the application for all businesses located within City boundaries to ensure the business is permissible in the specified location.
  4. An email generated by the business tax system will be sent to new applicants identifying next steps and requirements for payment.

For more help, call (510) 620-6742 to speak with a member of the Business Tax team.

## **How do I renew an existing business certificate?**

1. If your business tax certificate expires prior to December 31, 2021, you will renew your certificate in 2021 based on the "previous" business tax rates. To pay for a business certificate, go to <https://etrakit.ci.richmond.ca.us> and select "pay fees" under the Business License section. When you renew in 2022, you will renew under Measure U provisions.
2. If your business tax certificate expires on or after December 31, 2021, you will need to provide additional information to the City to ensure your tax certificate is calculated accurately and according to Measure U provisions. These include:
  - a. Gross receipts,
  - b. Tax ID,
  - c. E-mail address,
  - d. Primary Business Activity Code, and
  - e. Other corrections or updates to your business information

In addition, businesses are asked to provide demographic data for City program planning purposes.

The City plans to contact businesses by mail in fall of 2021 to identify missing and updated information. An invoice for your business tax certificate renewal will be sent to you in December 2021.

### **How do I determine how much my certificate will cost?**

A business tax calculator has been created so business owners can calculate the business tax owed pursuant to the new methodology. Refer to the City's business tax calculator at <https://calculator.mystagingwebsite.com>.

### **When is payment due under Measure U?**

1. Business tax payments for *rental businesses* are due by or before March 1 of any calendar year.
2. Business tax payments for *all other businesses* are due on or before July 1 of any calendar year.

### **Are there exceptions to the payment of business taxes?**

Yes, Measure U includes some exemptions, business tax reductions, and alternative rate provisions. **In all cases, specific criteria must be met and any business owners who believe their business is exempt should refer to the ordinance.** Examples include:

1. A one-year exemption for buildings and major renovations completed before July 1, 2021,
2. Owner-occupied rental property,
3. Rental of five or more units of Residential Real Property that include specific categories,
4. Small business enterprises,
5. Buildings rented by the City,
6. Affordable housing units and developments,
7. Family daycare, and
8. Franchisees.

To qualify for an exemption, reduction or alternative rate, business owners should refer to the ordinance. In some cases, the business owner will need to file (and City staff must approve) an exemption application.

## **How will rental properties be affected?**

Property owners with rental properties are required to secure a business tax certificate and pay their tax with their renewal/initial application or by March 1. (The March 1 date will become effective beginning in 2023 when all properties will be on a calendar year renewal.)

The tax rate varies based on the number of units. (Refer to section 7.04.210 for the voter approved tax rates).

Owners with multiple rental properties with different addresses in the City will be required to secure a “master certificate”. The business tax will reflect aggregated gross receipts for all locations.

## **Do contractors need a business certificate?**

All contractors, (including subcontractors and contracting firms) performing work in the City are required to secure a business tax certificate. Each applicant who is subject to the contractor’s license law shall attest that they are licensed under such law, that this license is in full force and effect, and provide the number of the license.

The calculation of business tax will be based on estimated gross receipts at the rate established by the business activity classification for the project(s) in a calendar year. Contractors will be allowed to reduce their gross receipts to the extent their subcontractors pay their own portion of gross receipts.

## **What if I am an independent contractor?**

Independent contractors are generally issued an Internal Revenue Service (IRS) Form 1099 Statement of Earnings. The business tax applies to independent contractors.

## **What if my business is in my home?**

A business tax certificate is required if your residence (and/or business) is in the City limits. Check with the Planning Division at (510) 620-6706 to ensure your business may be conducted from your home.

## **What do I need to do if my business is a nonprofit organization?**

If your business is a nonprofit organization, it is exempt from the requirement to pay the business tax. However, a business tax certificate is still required. Tax-exempt organizations are required to provide proof of their nonprofit status to receive a business certificate. The accepted proof is a copy of the statement from the California Secretary of State or the Internal Revenue Service stating that the business has nonprofit status of 501(c)(3).

In addition, non-profit organization require approval from the Planning Division to ensure the business conducted is permissible in the specified location. If your non-profit organization is located in a commercial zone, a Fire Department inspection is also required.

### **Once I have applied for a business tax certificate and paid the fee, how long before I receive the actual business tax certificate?**

Normally it takes up to three weeks to receive the business tax certificate. The business certificate will be mailed to the business' mailing address indicated on the application when complete.

### **Is there a requirement to post the business tax certificate?**

Yes. Every business, defined by Measure U, must post its business tax certificate in a highly visible/conspicuous location. A person not having a fixed place of business must carry the business tax certificate with them at all times while conducting business and be prepared to provide proof upon City inspection.

### **Are there any restrictions on where I do business?**

Every business must meet Richmond's zoning requirements. Check with staff in the Planning Division prior to signing a lease or rental agreement to confirm compliance with all related regulations. Call (510) 620-6706 for additional information.

### **Can I start my business as soon as I pay the fee?**

No. The appropriate permit and/or approvals from Planning must be secured before your business activities may start.

1. All businesses (including non-profit organizations) must have a Zoning Compliance Information form approved by the Planning Division. You can reach Planning Division staff at (510) 620-6706.

2. Home-based businesses must obtain a Certificate of Home Occupation Authorization form (signed by the property owner) approved by the Planning Division.

### **Can I use the business tax certificate from the previous owner if I have purchased a business?**

No. Business certificates cannot be transferred or reassigned. As a new owner, you need to apply for a business tax certificate in your name.

### **What if I have more than one business or more than one location?**

If you have more than one business, a separate business tax certificate is required for each business conducted at one location.

If you have one business with multiple locations within the City, each location is required to have and display a business tax certificate. (Note: businesses with multiple locations should apply for a “master certificate” and aggregate gross receipts for all locations.)

### **What business records are subject to inspection?**

Every person required to obtain a business tax certificate shall keep and preserve for a period of three years all necessary records used to determine the amount of tax for which the business is liable.

City staff may examine the books, papers, tax returns, and records of any person/business subject to a business tax certificate for the purpose of verifying the accuracy of any declaration made or to ascertain the business tax due.

### **Who can I contact with additional questions?**

Business License Unit  
Hours of operation: 8:30 am to 5:00 pm  
Phone: (510) 620-5555  
Email: [measure\\_u\\_info@ci.richmond.ca.us](mailto:measure_u_info@ci.richmond.ca.us)

### **Business Tax Documents**

Business License Application  
Rental Business License Application  
Zoning Compliance Information Form  
Certificate of Home Occupation Authorization  
Declaration of Owner Occupation and Exemption