



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Julia H. Cooper

**SUBJECT: EXTENSION OF BUSINESS
TAX AMNESTY PROGRAM**

DATE: March 18, 2020

Approved

Date

3/19/20

REASON FOR ADDENDUM

The Administration is recommending extension of the Business Tax Amnesty Program due to the financial challenges some businesses may be facing in light of the COVID-19 shelter in place. As the Amnesty Program was scheduled to end on March 27, 2020, this recommendation is coming before City Council on March 24, 2020 to extend the program before the planned deadline expires.

RECOMMENDATION

Approve an ordinance retroactively extending the Business Tax Amnesty and Business Improvement District ("BID") Assessment Amnesty Programs from March 27, 2020 through June 30, 2020.

OUTCOME

The proposed ordinance would extend the deadline for businesses to apply for the Business Tax and BID Amnesty Programs ("Amnesty Program"). By continuing the Amnesty Program, businesses that owe business tax can defer payment without penalty or interest until June 30, 2020.

BACKGROUND

On August 13, 2019, City Council approved the Amnesty Program to commence on October 1, 2019 and conclude on March 27, 2020. The Amnesty Program covers the period from October 1, 2016 through March 27, 2020, capping the maximum period of unpaid business tax and BID assessment liabilities at three prior tax years, plus the current tax year. During the amnesty period, the Director of Finance is authorized to waive all penalties and interest incurred during the affected tax periods (October 1, 2016 through March 27, 2020) for businesses that have never registered, are delinquent, or need to update their tax parameters (except for taxpayers against

whom a civil or criminal action for business tax liability was commenced prior to October 1, 2019).

In addition to waived penalties and interest, businesses participating in the Amnesty Program may qualify and apply for one of several business tax exemptions. Of note, the financial hardship exemption for low revenue generating small businesses and the financial hardship exemption for small business owners with limited household income are the two income-based exemptions that allow a business to obtain a business tax certificate without paying a business tax. These financial hardship exemptions are available to sole proprietorships, partnerships, and corporations that are owned by a single natural person or owned jointly by spouses or domestic partners, without other principals or employees, whose gross receipts are at or below the poverty levels set forth in Chapter 4.76.

ANALYSIS

On March 16, 2020, the County of Santa Clara, and six of the most populous Bay Area counties, announced a shelter-in-place order, in light of the increased number of cases of COVID-19 confirmed in the region and in particular in Santa Clara County. In response, the City elevated to Stage 5 (Extremely High Response) of our Pandemic Management Plan. Stage 5 calls for the suspension of all non-essential City programs and services, the closure of City facilities, and full activation of the City's Emergency Operations Center (EOC). Ensuring the safety and well-being of City employees, residents, and businesses is of the utmost importance in the City's Pandemic Management Plan.

CONCLUSION

The proposed extension of the Amnesty Program will provide relief for businesses impacted by COVID-19. By extending the Amnesty Program through June 30, 2020, businesses can defer payment of business tax and BID assessments, without penalty or interest applied.

EVALUATION AND FOLLOW-UP

Revenues recognized from the Amnesty Program will be reported to the Public Safety, Finance and Strategic Support Committee as part of the Finance Department's Quarterly Financial Reports and the Bi-Monthly Financial Reports, as appropriate.

CLIMATE SMART SAN JOSE

The recommendation in this memo has no effect on Climate Smart San José energy, water, or mobility goals.

PUBLIC OUTREACH

This memorandum will be posted to the City's website for the March 24, 2020 Council meeting. In addition, the business community will be informed about the Amnesty Program extension through a press release as well as information posted on the Finance Department's website and phone systems.

COORDINATION

This memorandum was coordinated with the City Manager's Budget Office, Office of Economic Development, Office of the City Attorney, and representatives of the Business Improvement Districts.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

COST SUMMARY/IMPLICATIONS

The 2019-2020 general business tax estimate includes revenue of \$1.0 million that is anticipated to be generated from the Amnesty Program. Amnesty Program revenue will be monitored and future revenue estimate adjustments may be recommended, as necessary. In addition, any ongoing impacts associated with the Amnesty Program will be evaluated and incorporated into the 2020-2021 budget process.

CEQA

Not a Project, File No. PP17-004, Government Funding Mechanism, or Fiscal Activity with no commitment to a specific project which may result in a potentially significant physical impact on the environment.

/s/
JULIA H. COOPER
Director of Finance

For questions, please contact Rick Bruneau, Deputy Director of Finance, at (408) 535-8310.