



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Julia H. Cooper

**SUBJECT:** SEE BELOW

**DATE:** June 23, 2020

Approved

Date

6/24/2020

**SUBJECT: EXTENSION OF BUSINESS TAX AMNESTY PROGRAM THROUGH  
SEPTEMBER 30, 2020**

## **RECOMMENDATION**

Approve an ordinance retroactively extending the Business Tax Amnesty and Business Improvement District (“BID”) Assessment Amnesty Programs from June 30, 2020 through September 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 September 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. On March 24, 2020, City Council approved an extension of the Amnesty Program through June 30, 2020. The Amnesty Program covers the period from October 1, 2016 through June 30, 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 June 30, 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.

Since March 16, 2020, the County has issued a number of subsequent orders. Santa Clara County's current shelter-in-place order, effective as of June 5, 2020, extends the shelter-in-place restrictions except when engaging in essential or permitted activities and will remain in effect until the County's health officer amends or rescinds it. The COVID-19 pandemic has impacted businesses differently with many experiencing reduced business activity due to the public health restrictions. The proposed extension of the Amnesty Program will provide relief for businesses impacted by COVID-19. By extending the Amnesty Program through September 30, 2020, businesses can defer payment of business tax and BID assessments, without penalty or interest applied.

### **CONCLUSION**

The proposed ordinance extends 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 September 30, 2020.

### **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.

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## **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 June 30, 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 2020-2021 General Business Tax budgeted estimate does not include any additional revenue, or reduction of penalty and interest revenue, anticipated as a result of the extension of the Amnesty Program. The General Business Tax and Amnesty Program revenue will be monitored, and future budget adjustments may be recommended, as necessary.

## **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.