CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Maria Öberg

SUBJECT: **See Below**

DATE: November 17, 2025

Approved

Date: 11/21/25

COUNCIL DISTRICT: Citywide

SUBJECT: Business Tax and Business Improvement Districts Assessment Amnesty Programs

RECOMMENDATION

(a) Approve an ordinance authorizing the Director of Finance, or her designee, to administer a Business Tax Amnesty Program which forgives taxpayers who pay certain past due business taxes from liability for the remaining past due business taxes, interest, and penalties.

(b) Approve an ordinance authorizing a Business Improvement District Assessment Amnesty Program for the Downtown, Japantown, Tully Road, and Monterey Corridor Business Improvement Districts, and any new Business Improvement Districts established on or prior to December 31, 2026, to run concurrently with the Business Tax Amnesty Program.

SUMMARY AND OUTCOME

The Finance Department will implement an Amnesty Program that will encourage San José business owners to pay past due Business Tax and Business Improvement District (BID) assessments, which is expected to increase current and future Business Tax and BID assessment revenues.

BACKGROUND

An Amnesty Program is a limited-time opportunity for persons engaged in business in San José, as defined in Chapter 4.76 of the San José Municipal Code, to pay a defined amount in exchange for forgiveness of a tax or assessment liability, including penalties and interest. The Finance Department has administered three Amnesty Programs since 2006, successfully increasing compliance and revenue.

Most recently, the Finance Department administered a 12-month Amnesty Program from October 1, 2019, through September 30, 2020, generating ~$3.18M in additional revenue from ~5,800 taxpayers. Outreach efforts included the mailing of ~56,000 direct mail letters to potential business taxpayers and delinquent accounts as well as broadly advertising the Amnesty Program.

City Council's approval of the 2025-2026 Adopted Operating Budget included actions to conduct a Business Tax Amnesty Program, which was expected to bring in $3.2 million of additional General Fund revenue over two years, partially offset by $250,000 to administer the program.[1] Historically, BID Amnesty Programs have been administered in coordination with Business Tax Amnesty Programs as the fees are invoiced and collected simultaneously, though BID revenue is received within the Business Improvement Districts Fund.

ANALYSIS

The proposed Amnesty Application Period during which a business may file a request for amnesty is projected to commence on January 1, 2026 and end on December 31, 2026. During the amnesty period, the Director of Finance will be authorized to waive all penalties and interest incurred 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 January 1, 2026).

The portion for BIDs will include assessments owed by the City of San José's (City) four current BIDs (Japantown, Downtown, Tully Road, and Monterey Corridor), and any new BIDs established on or prior to December 31, 2026. All proceeds derived from the BID Amnesty Program will benefit the Business Improvement Districts Fund.

During the 2019-2020 Business Tax Amnesty Program, approximately $3.18M in General Fund revenue was generated. Estimates for the upcoming program are based on those results (See Table 1).

[1] City of San Jose 2025-2026 Adopted Operating Budget, Finance Department
https://www.sanjoseca.gov/home/showpublisheddocument/126207/638978556949700000

TABLE 1

Business Tax Amnesty Program Estimated Recovery		
New Business Revenue *(90% of 2019 Amnesty Collections of $2.08M)*		$1,870,000
Underpaid Revenue *(125% of 2019 Amnesty Collections of $730K)*		$910,000
Delinquent Revenue *(100% of 2019 Amnesty Collections of $370K)*		$370,000
Estimated Business Tax to be Collected		**$3,150,000**
Less Estimated Personal Services		
Temporary Staffing	($66,000)	
Less Non-Personal Equipment		
Outreach & Collateral Materials (Mailings, Translation)	($184,000)	
Subtotal Estimated Amnesty Program Expense		*($250,000)*
Program Net		**$2,900,000**

The Finance Department will encourage payment-in-full of outstanding tax liabilities and assessments. However, installment payment plans will be available on an as-requested basis. If a business does not comply with the terms of the payment plan, the unpaid tax or assessment, including penalties and interest, retroactive to the date the tax or assessment was originally owed, will become due and payable immediately.

Business Tax Data Leads

The City and the California Franchise Tax Board have participated in the exchange of data through a reciprocal agreement. The City data helps the California Franchise Tax Board identify businesses and self-employed individuals who may not have filed required business entity and/or individual income tax returns. In turn, the California Franchise Tax Board data helps the City identify businesses and self-employed individuals who may not have complied with the City’s Business Tax requirements.

A two-part in-house marketing strategy will be launched. The first part is formulated targeted letters to 30,000 direct mail leads, delinquent accounts, and selected advertising. The second part will be an advertising campaign through the four BID

Associations; the Mercury News; the Tri-County Apartment Association; the Silicon Valley Chamber of Commerce; the Hispanic Chamber of Commerce; the Vietnamese Chamber of Commerce; and the KLIV Radio Station.

Through the Amnesty Program, City staff will educate more businesses and individuals about the City's requirements and bring them into compliance. The Amnesty Program for both business tax and BID will generate one-time and ongoing revenue that will be captured in the General Fund and the Business Improvement Districts Fund.

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.

COST SUMMARY/IMPLICATIONS

As included in the 2025-2026 Adopted Operating Budget, the Business Tax Amnesty Program is anticipated to generate a total estimated amount of $1.575 million in General Fund revenue in 2025-2026 and FY 2026-2027, for a total of $3.15 million. To administer the Amnesty Program, the Finance Department is anticipated to incur costs for temporary staffing ($33,000) and public outreach and collections expenses ($92,000) that will cost approximately $125,000 in 2025-2026 and 2026-2027 for a total of $250,000. The temporary staffing will assist in the program and perform field audits to potentially identify unregistered or underpaid businesses that are operating within San José that could provide ongoing additional Business Tax and BID revenue.

COORDINATION

This memorandum was coordinated with the City Attorney's Office, City Manager's Office, City Manager's Budget Office, City Manager's Office of Economic Development and Cultural Affairs, and representatives of the BIDs.

PUBLIC OUTREACH

The business community will be informed about the upcoming Business Tax Amnesty and BID Amnesty Programs through news releases, print media advertisements, and public service announcements.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

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.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

Maria Öberg

MARIA ÖBERG
Director of Finance

For questions, please contact, John Kachmanian, Deputy Director of Revenue Management, Finance Department, at john.kachmanian@sanjoseca.gov or (408) 535-7034.