

# TOWN COUNCIL



## STAFF REPORT

### Finance & Administration Department

<b>MEETING DATE:</b>	December 12, 2023
<b>PROJECT:</b>	Consideration of Ordinance Amending Chapter 6 – Businesses and Business Regulations, Appendix A – Business Licenses Rate Schedule and Appendix B – Business License Class Schedule by NAICS Code of the Town Code as Required by Act 176 of 2020. – Second & Final Reading
<b>PROJECT MANAGER:</b>	Natalie Majorkiewicz, CGFO, Director of Finance

#### **REQUEST:**

Town Staff requests Town Council to approve First Reading of an Ordinance amending Appendix A – Business License Rate Schedule and Appendix B – Business License Class Schedule by NAICS Code in Chapter 6 – Businesses and Business Regulations of the Town Code to comply with State of South Carolina’s law, Act 176 of 2020, The Business License Standardization Act. Staff has evaluated the revenue impact to the proposed changes by the Municipal Association of South Carolina (MASC). The updated class schedule results in an estimated fiscal impact of a decrease of approximately \$30,000 or less than one percent. Staff recommends the following:

- No changes to the rates for classes 1 through 8
- Removing Rate Class 9.2 (Pawn Brokers – no use and consistent with Town of Hilton Head and Beaufort County)
- Removing Rate Classes 9.41 and 9.42 as required by MASC.
- Updating Rate Class 9.7 from a per thousand rate of \$1.00 to \$1.15 to remain consistent with the change from Rate Class 1 to 2 for businesses with a NAICS Code starting with 722 which are food services and drinking places.

#### **BACKGROUND:**

The State of South Carolina passed standardized business licensing, known as Act 176 of 2020, in September of 2020 that became effective January 1, 2022 which required all cities and towns to adhere to specific requirements.

One of the requirements is to update the business licensing class schedule every odd-numbered year for it to go into effect the following year. The updated class schedule must be adopted by December 31, 2023.

The North American Industry Classification System (NAICS) is reviewed and revised every five years to keep the classification system current with changes to economic activities with the most recent being 2022 . The update to the NAICS code does not require an ordinance or approval by Town Council but is incorporated in the ordinance amendment.

The updated business license rate class schedules results in a minimal revenue impact.

**NEXT STEPS:**

Should Town Council approve the Second and Final Reading of the proposed amended Ordinance, it shall be effective for the business license year beginning on May 1, 2024.

**SUMMARY:**

The approval of the proposed amended Ordinance keeps the Town compliant as required by Act No. 176 of 2020, known as the South Carolina Business License Tax Standardization Act.

The amendment to Chapter 6 – Businesses and Business License Regulations with updates to Appendix A and Appendix B as recommended by MASC are as follows:

- Appendix A – Business License Rate Schedule:
  - Class 8.3 is hereby amended by deleting the NAICS Codes and replacing them with NAICS 517111, 517112, 517112 – Telephone Companies.
  - Class 8.6 is hereby amended and restated in its entirety to read as follows:  
“8.6 NAICS Code Varies – Billiard or Pool Tables. A business that offers the use of billiard or pool tables shall be subject to business license taxation under its natural class for all gross income of the business excluding the gross income attributable to the billiard or pool tables. In addition, the billiard or pool tables shall require their own separate business licenses pursuant to SC Code § 12-21-2746 and shall be subject to a license tax of \$5.00 per table measuring less than 3½ feet wide and 7 feet long, and \$12.50 per table longer than that.”
  - The NAICS codes corresponding to Classes 9.41 and 9.42 have been eliminated. Businesses that were previously classified into 9.41 or 9.42 shall be required to apply and pay for a business license in their natural class.

- Appendix B – Business License Class Schedule:
  - Classes 1 through 8 in Appendix B to the Current Business License Ordinance, the “Business License Class Schedule,” are hereby amended and restated.
  - Class 9 in Appendix B to the Current Business License Ordinance, the “Business License Class Schedule,” shall remain in full force and effect as set forth in the Current Business License Ordinance.
  - The NAICS codes corresponding to Classes 9.41 and 9.42 have been eliminated. Businesses that were previously classified into 9.41 or 9.42 shall be required to apply and pay for a business license in their natural class.

**ATTACHMENTS:**

1. Proposed Ordinance
2. NAICS Codes and Class Schedule Timeline from MASC
3. Master Fee Schedule Section III, Business License Fees
4. Recommended Motions