



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Adopt a Resolution Authorizing the License Tax Collector to Delay or Waive Collection of the Business License Tax
Category:	Leadership and Support Services
Meeting Date:	2/16/2021
Staff Contact:	Walter C. Rossmann, 408-586-3111 Christopher J. Diaz, 408-586-3040
Recommendation:	Adopt a Resolution Authorizing the License Tax Collector to Delay or Waive Collection of the Business License Tax.

Background:

Any person who conducts business in the City must obtain a business license. Generally, business licenses are issued on a calendar basis and expire December 31. License renewal fees are due by January 1, but no earlier than December 1 of the prior year. Any person carrying on any business without a business license is liable for delinquent license taxes and penalties. Under Section III-1-21 of the Milpitas Municipal Code, if a business fails to pay a license tax when due, the license tax collector must add a penalty of 10% of the license tax amount on the last day of each month after the due date, up to 100% of the amount of the license tax due. The business license tax rate for businesses with a fixed location in the City includes a base rate plus a charge based on the number of employees.

For the January 1, 2021 due date, 4,323 businesses were billed for payment of the business license tax and related fees. The average business license tax and related fees billed for payment amounts to \$116.90. As of February 1, only 60% of payment for business license have been received.

In support of businesses, the City Council directed staff to bring back a resolution to waive penalties for delinquent business license tax payments until May 31, 2021 and start assessing penalties for delinquent payments thereafter.

Analysis:

Under Section III-1-10.01 of the Milpitas Municipal Code, the license tax collector has the power, upon a showing for good cause, to extend the time for filing any required sworn statement up to 30 days and in such case to waive any penalty that would otherwise have occurred. Under the same section, the license tax collector also has the power, with the City Council's consent, "to compromise any claim as to the amount of license tax due." Businesses have been financially impacted due to the stay-at-home orders and directives issued by local and state authorities in response to COVID-19 since March 2020. This provision allows the license tax collector to waive penalties for delinquent business license tax payments with City Council consent. This resolution serves a public purpose by providing financial relief to local businesses in response to economic challenges, encourages businesses to renew their 2021 business licenses and continue to operate, and promotes the local economy.

Fiscal Impact:

The impact to the General Fund regarding any delay of payment for the business license tax to the end of the current fiscal year is loss of interest earned on the moneys received timely. Given the current interest environment, this impact is expected to be minimal. Additionally, the City will forgo receipt of late payment fees. However, if FY 2020-21 estimated revenues are not received by mid-August, the loss in revenue may have to be offset with the use of reserves.

Recommendation:

Adopt a Resolution Authorizing the License Tax Collector to Delay or Waive Collection of the Business License Tax.

Attachments:

Resolution