



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of December 11, 2018

TO: Members of the City Council

SUBMITTED BY: Patrick Tang, City Attorney

SUBJECT: Business License Tax Administrative Policy

RECOMMENDED ACTION:

Informational Only, no action is required by the City Council at this time.

FISCAL IMPACT OF RECOMMENDATION:

Unknown at this time. The audit is expected to result in additional revenue to the City.

DISCUSSION:

Recently the City contracted with Avenu to administer the Business Licenses on an on-going basis and conduct audits in compliance with the Business License Tax Ordinance which is set forth in Chapter 6 of the Municipal Code. Several questions were raised by Avenu regarding the implementation of the Business License Tax Ordinance which have been reviewed by staff in consultation with the City Attorney's Office. In response to Avenu and in order to provide guidance to staff, the points of clarification have been incorporated into the attached Administrative Policy promulgated by the City Manager.

A key component of the Administrative Policy is an amnesty option that would allow the Finance Director or his or her designee to waive penalties and past business license taxes owed if a noncompliant business secures a business license within 180 days of being notified.

ATTACHMENTS:

1. Business License Tax Administrative Policy

Financial Impact

Description: N/A

Funding Source:

Budget Recap:

Total Estimated cost:	\$	New Revenue:	\$
Amount Budgeted:	\$	Lost Revenue:	\$
New funding required:	\$	New Personnel:	\$
Council Policy Change:	Yes <input type="checkbox"/> No <input type="checkbox"/>		

BUSINESS LICENSES
Administrative Policy #

I. PURPOSE

To clarify how business licenses will be handled under Chapter 6 of the Municipal Code – Business License Tax.

II. POLICY

The Finance Director, is responsible for administering the Business License Tax under the Municipal Code and may assign an outside contractor to handle the day to day responsibilities of administering Business Licenses and/or arrange for periodic audits, subject to the approval of the City Manager.

A. Periodic Audits:

1. The Finance Director shall arrange for periodic audits by a qualified contractor to determine compliance with the Business License Tax Ordinance.
2. Such audits may include discovery of businesses without licenses.
3. For the 2018 audit and any subsequent audit thereafter, whenever an audit results in discovery of a business without a license, or a business without a license otherwise becomes known to the City, the Finance Director or his/her designee may grant an amnesty to waive payment of penalties and past due business license tax amounts owed, provided that the business acquires a license within 180 days of notification of the amount due.
4. Audits for compliance may go back three (3) years, as provided by law.

B. Licenses Required for all Rental Units:

1. An owner who rents a single family house or one or more apartment or condominium rental units in the City of Hercules is considered to be a person “doing business” under the City’s Business License Tax Ordinance and is required to obtain a business license.
2. An owner of commercial property who rents units in a commercial building or a landowner who rents vacant land is required to obtain a business license for the building or the land being rented. Each business unit rented in the building must also have a business license. If however, a business location is owner occupied only one license is required.

C. Proration of Business Licenses:

1. The due date for issuance of an annual Business License is January 1st. Licenses issued during the year will be prorated on a quarterly basis.

D. Penalties:

1. Penalties shall be calculated as required by Section 8-6.403 of the Business License Tax Ordinance.

E. Interpretation:

1. In the event there is a need for interpretation in a specific situation the Business License Administrator shall render the decision with the assistance of the City Attorney.

David Biggs, City Manager

Date

Original Date: 11-14-18

Revised Date: N/A