



City of Arts & Innovation

Governmental Affairs Committee Memorandum

TO: GOVERNMENTAL AFFAIRS COMMITTEE **DATE: AUGUST 2, 2017**
FROM: FINANCE DEPARTMENT **WARDS: ALL**
**SUBJECT: RECOMMENDED ENHANCEMENTS TO THE CITY'S BUSINESS TAX
ADMINISTRATION PROGRAM ADMINISTERED THROUGH THE FINANCE
DEPARTMENT'S BUSINESS TAX DIVISION**

ISSUE:

Review, provide input, and forward to the City Council for approval recommended enhancements to the City's Business Tax Administration Program, developed in collaboration with the Greater Riverside Chambers of Commerce in response to an Internal Audit report dated June 2016.

RECOMMENDATIONS:

That the Governmental Affairs Committee:

1. Review, provide input, and forward to the City Council for approval recommended enhancements to the City's Business Tax Administration Program, developed in collaboration with the Chambers of Commerce;
2. Direct staff to work with City Attorney's Office to draft applicable Municipal Code changes; and
3. Direct staff to take necessary steps to implement a six-month Business Tax Amnesty Program during January to June 2018.

BACKGROUND:

In June 2016, the Internal Audit Division presented to the Government Affairs Committee recommendations stemming from an audit of the City's Business Tax Division.

DISCUSSION:

In collaboration with the Greater Riverside Chambers of Commerce, City staff developed a Business Tax Action Plan (Action Plan - Attachment 1) to enhance the administration of business tax through the City's Business Tax Division. The intent of the Action Plan is to create a more business friendly environment in Riverside, with a concentrated focus on informing and educating existing and potential new businesses about business tax requirements; encouraging new business, business retention and expansion by making it easier to operate in the City; and

reducing penalties for non-payment or late payment in favor of incentives for paying early or on time.

On April 27, 2017, the Greater Riverside Chambers of Commerce Board of Directors approved the Action Plan. Attachment 1 provides details of the Plan; the highlights are presented below.

- There will be NO new or increased fees.
- Penalties for late payment will be REDUCED, and there will be ADDITIONAL REMINDERS from the City regarding payment due dates.
- Businesses paying their business tax early will receive a DISCOUNT.
- The City will roll out a proactive, concentrated, business-friendly EDUCATIONAL CAMPAIGN to inform and educate existing and potential new businesses regarding business tax requirements.
- The City will offer a six-month AMNESTY PROGRAM to encourage businesses that have not paid their taxes to register and become current.
- Enhanced online options have already been implemented, and make it possible for businesses to apply for or renew their business tax license online, and or update account information.

Many of the recommendations will require changes to the Municipal Code, which staff will bring before the City Council in August 2017. The educational campaign will commence in November/December 2017, and the amnesty program will run from January 1, 2018 to June 30, 2018.

FISCAL IMPACT:

Reducing penalties and promoting the amnesty program will have an impact on revenues; however, if past due and non-compliant businesses begin paying their business license tax, the net effect on revenues may be neutral for FY 2017-18 and may be positive in future years as more businesses will be paying.

Early renewal discounts of 5% may have a fiscal impacts of approximately \$148,000 per year. Further, the increased proactive outreach and marketing materials will cost approximately \$60,000 per year. Staff is hopeful that new net revenues from new business paying a business license tax will increase sufficiently to cover these revenue reductions and additional expenditures.

Prepared by: Adam Raymond, Acting Chief Financial Officer / City Treasurer

Certified as to

availability of funds: Adam Raymond, Acting Chief Financial Officer / City Treasurer

Approved by: Marianna Marysheva, Assistant City Manager

Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Proposed Business License Tax Action Plan
2. June 2016 Audit
3. Presentation