



# Tax Administration Reinvented

Increase Your Revenue and Taxpayer Support  
While Decreasing Fixed Costs

HdL<sup>®</sup> Companies  
40 Years of Growing Revenue



# Introductions

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# Types of Revenue Administration Programs

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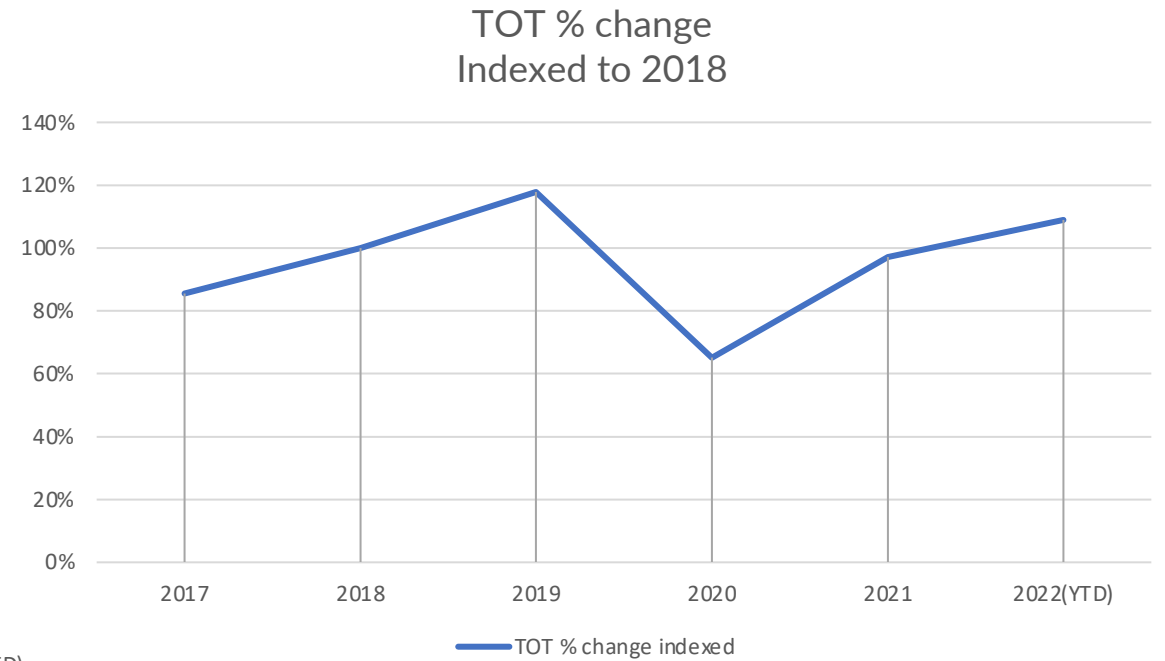
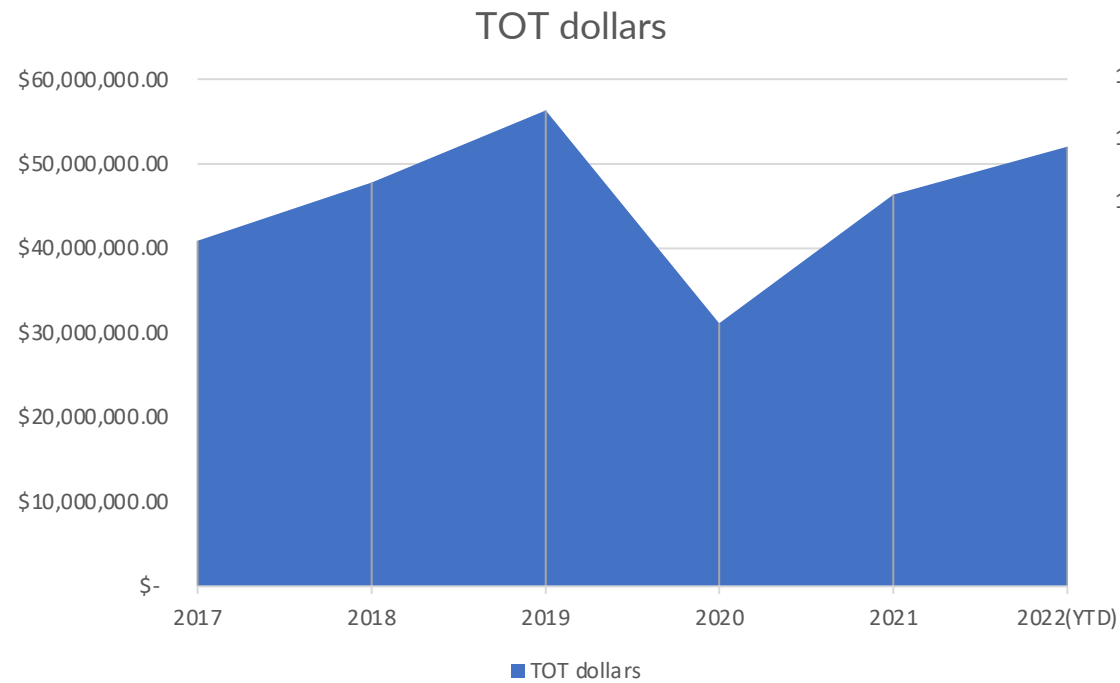
- Business License/Tax
- Transient Occupancy Tax
- Short Term Rentals
- Utility Users Tax
- Cannabis Tax
- Tobacco Licensing
- Rental Unit Registration
- Parking Tax, and more!

# 2022 Year Review

## *What We See In The Data*



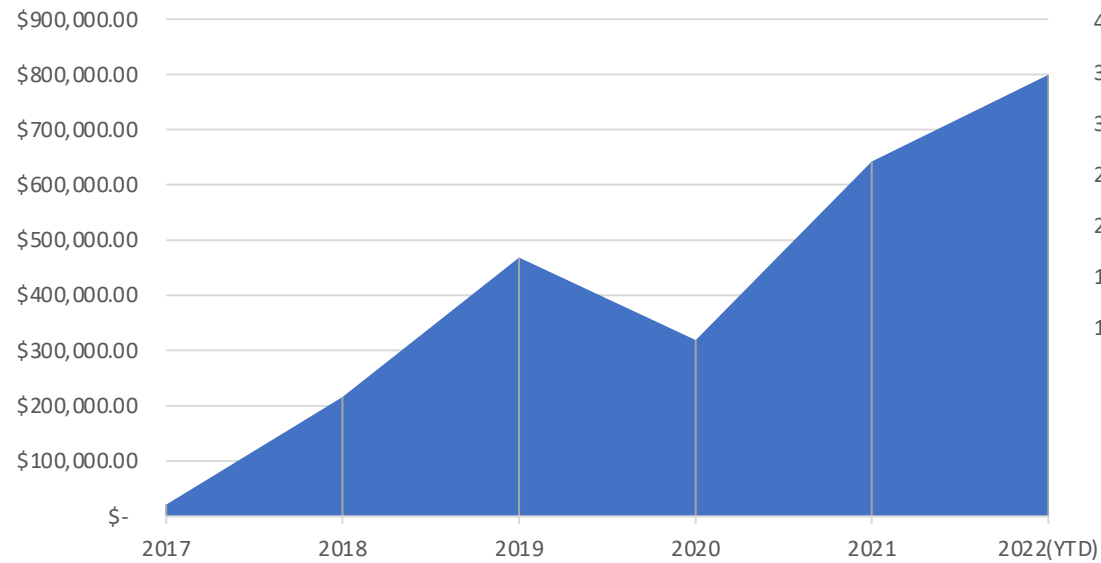
# TOT Is Recovering



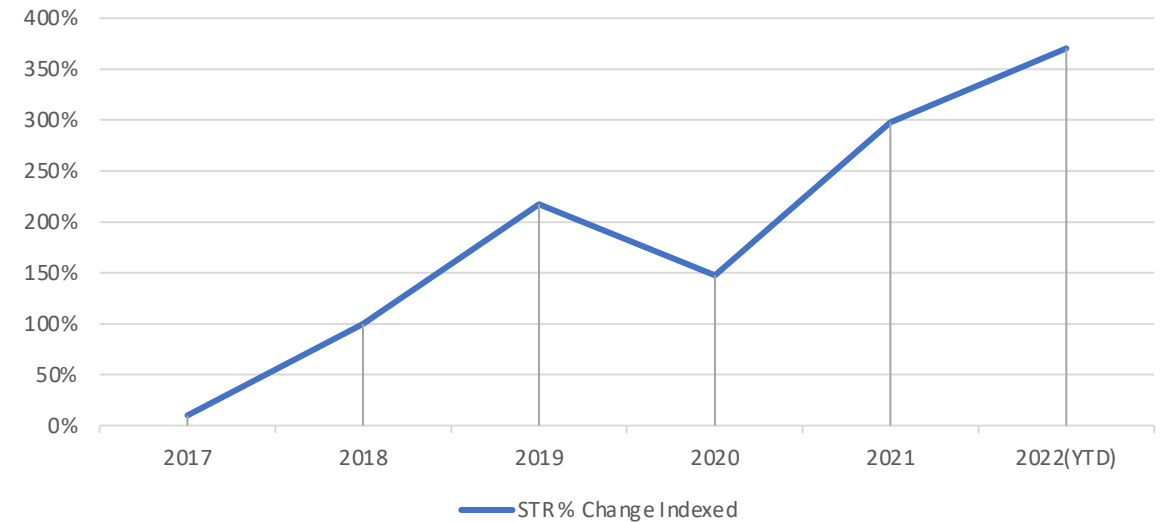


# STR Has Continued To Grow

STR Charged Amounts

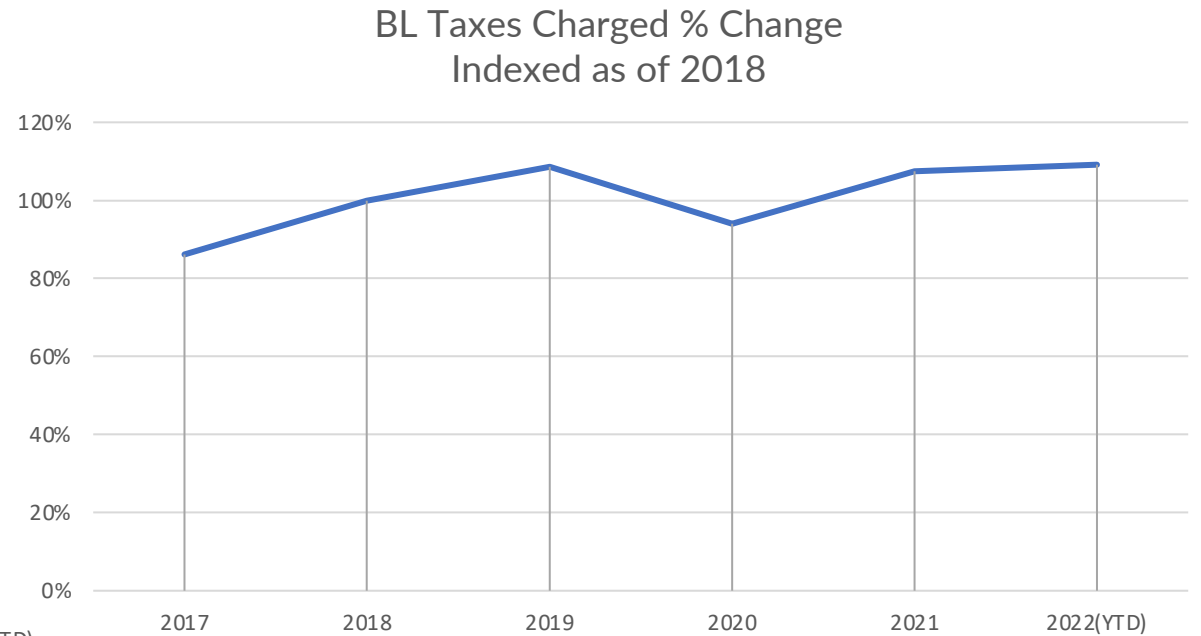
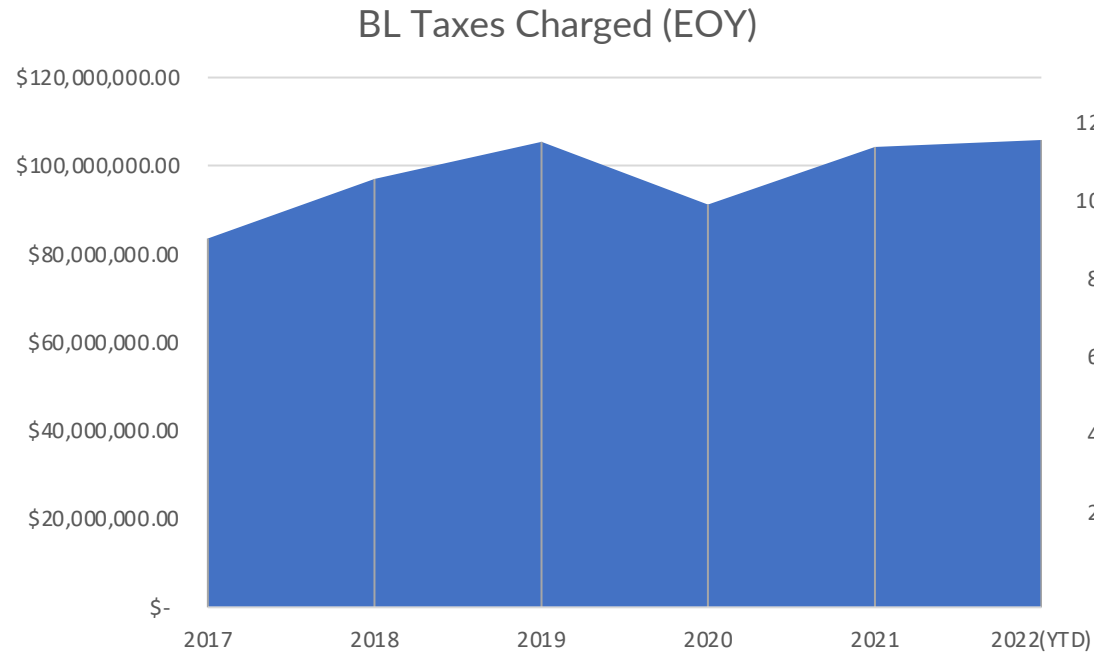


STR % Change Indexed to 2018



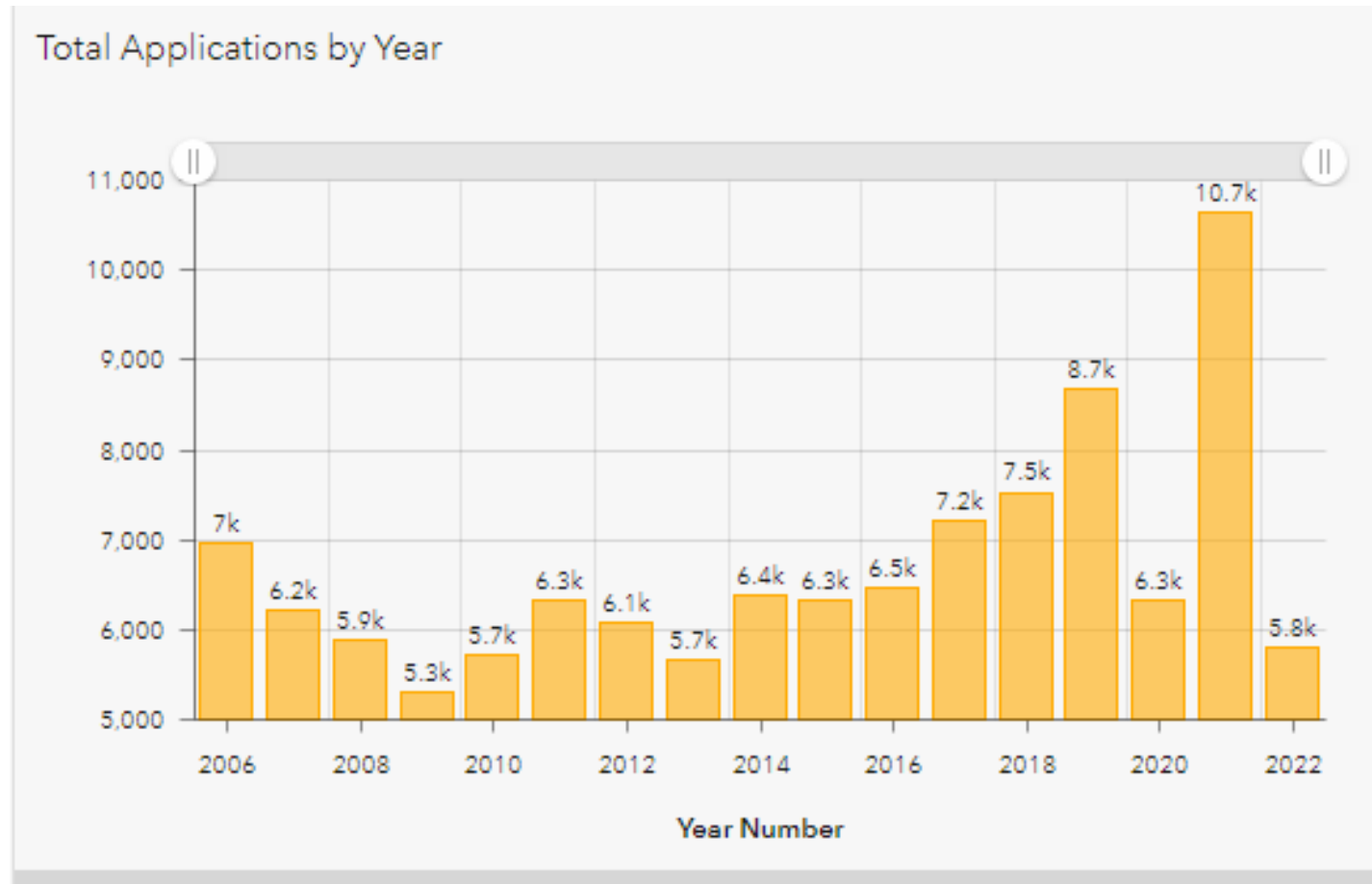


# Business License Revenue Appears to Have Recovered





# New California Business Registrations By Year



Source: <https://experience.arcgis.com/experience/d791c7aec3b847588af73a25fb4bcfec>; through week 14





# Administration Challenges/Learning Objectives

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- Demand For More Out of Local Government
- Revenue, Revenue, Revenue
- Increasing Costs
- Revenue vs Regulation
- Creating an Equitable Tax Structure Modernizing Ordinance
- Compliance

# Revenue vs Regulation



# Revenue vs Regulation

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- Two Different Purposes
- Two Different Powers
- Intra-City Departmental Overlap
- Software
- Temptation to Make the Gatekeeper of Police Power Actions
- State Imposed Bills

# Creating an Equitable Tax Structure Through Modernizing Ordinance



# Creating Equitable Tax Structure Through Modernizing Ordinance

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- Classifications / Rates
- Regressive Taxes
- Tax Equity For Large vs Small Businesses
- Tax Havens
- Monitoring Future Development
- Amending Outdated Language
- Exemptions
- Simplifying Tax Collection
- Adjust for Long-Term CPI

# Administration Made Easy

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# Administration Made Easy

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- Trifecta of Success
  - Decreased Fixed Costs
  - Increase Revenue
  - Increase Community Support
- Interface With Other Departments
- Software & Data – Right Tools for the Job
- Smoother Administrative Processes (Tax Code)
- Scaled
- Utilize Multiple Ways of Filing & Paying
  - Online
  - Mail
  - Face to Face
  - Phone

# Compliance





# Compliance

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- Discovery (Unregistered)
- Collections (Balances on Registered Accounts)
- Audit (Registered Accounts Paying Accurately)
- Classification Reviews
- State/City Programs/Resources
- Utilize Third-Party with Full Compliance Teams

# Panel Discussion

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## City of Tracy: Case Study

# Creating More Equitable Business Taxes

July 12<sup>th</sup>, 2022

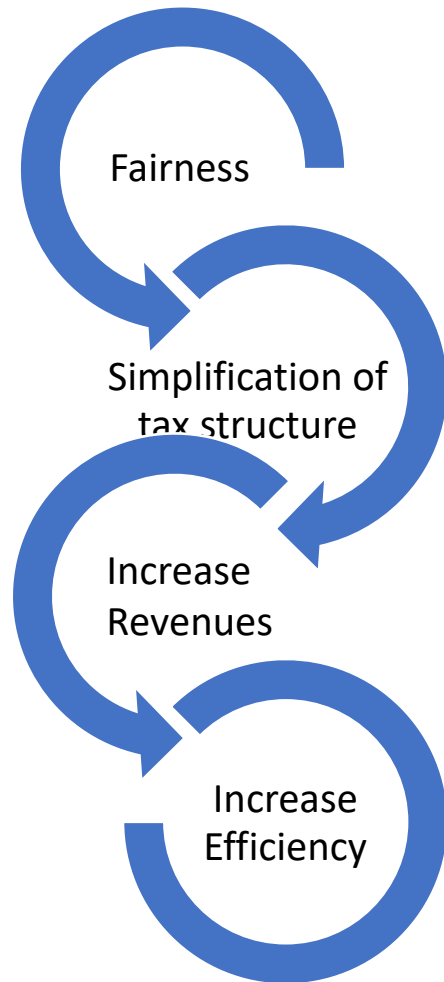


# Increasing Equitability For Local Small Businesses

- After careful analysis and comparisons with neighboring communities, we believe that Tracy's 39-year-old business license structure is currently unfair to small, locally owned businesses.
- Large employers in Tracy, such as our warehouse businesses and big corporations are currently NOT paying their fair share.
- Modifying Tracy's Business License Tax to be more in line with neighboring communities could reduce the amount paid by small businesses and could help reduce the impacts on the community caused by our large warehouses - all while helping to fund local city services.

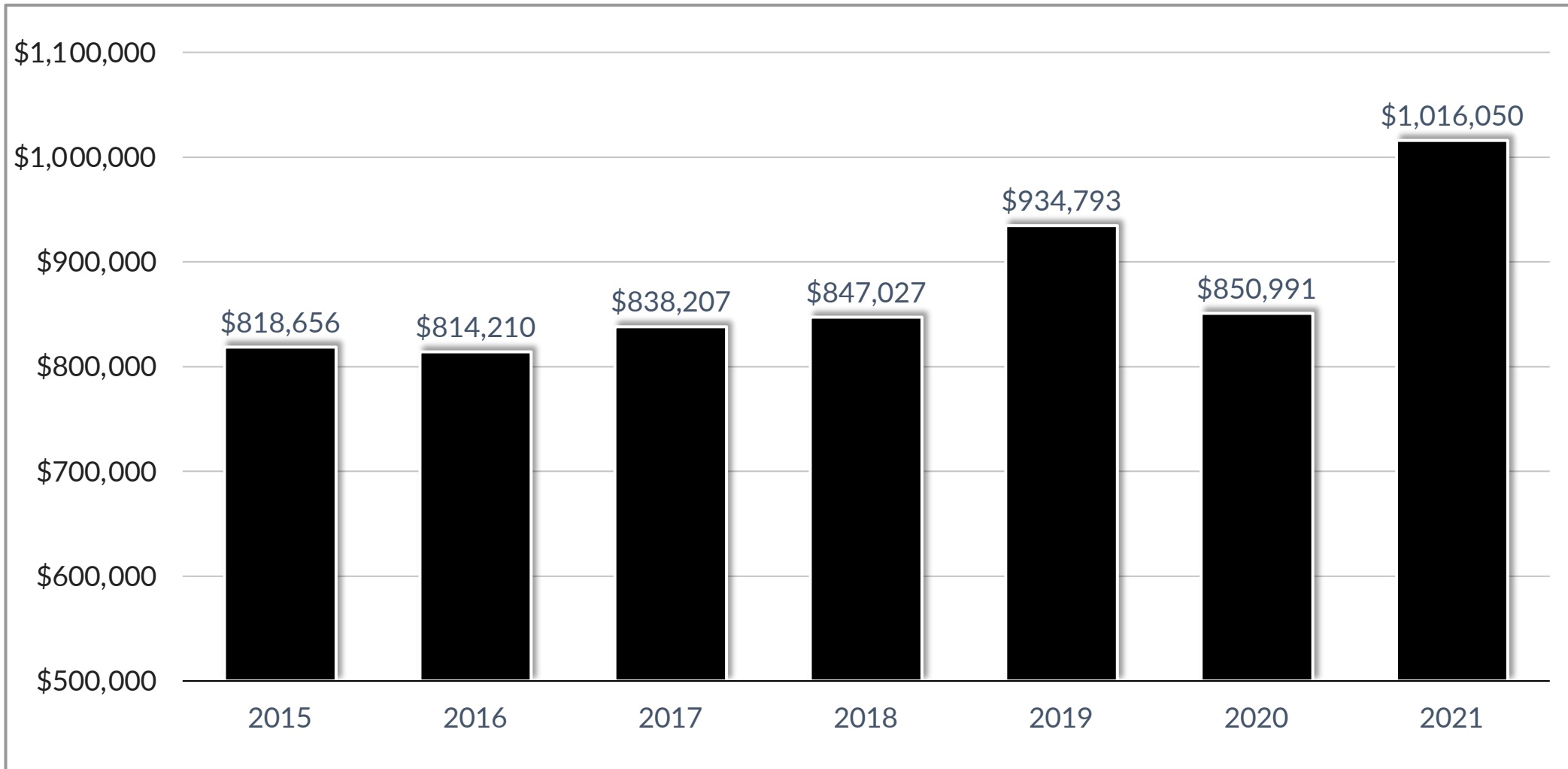


# City Council's Objectives



1. Increased fairness and equity in rates for local businesses
2. Simplification of the tax structure
3. Increased revenues to the City
4. Increased efficiency for City operations

# Tracy's Business Tax Revenue YTY Since 2015

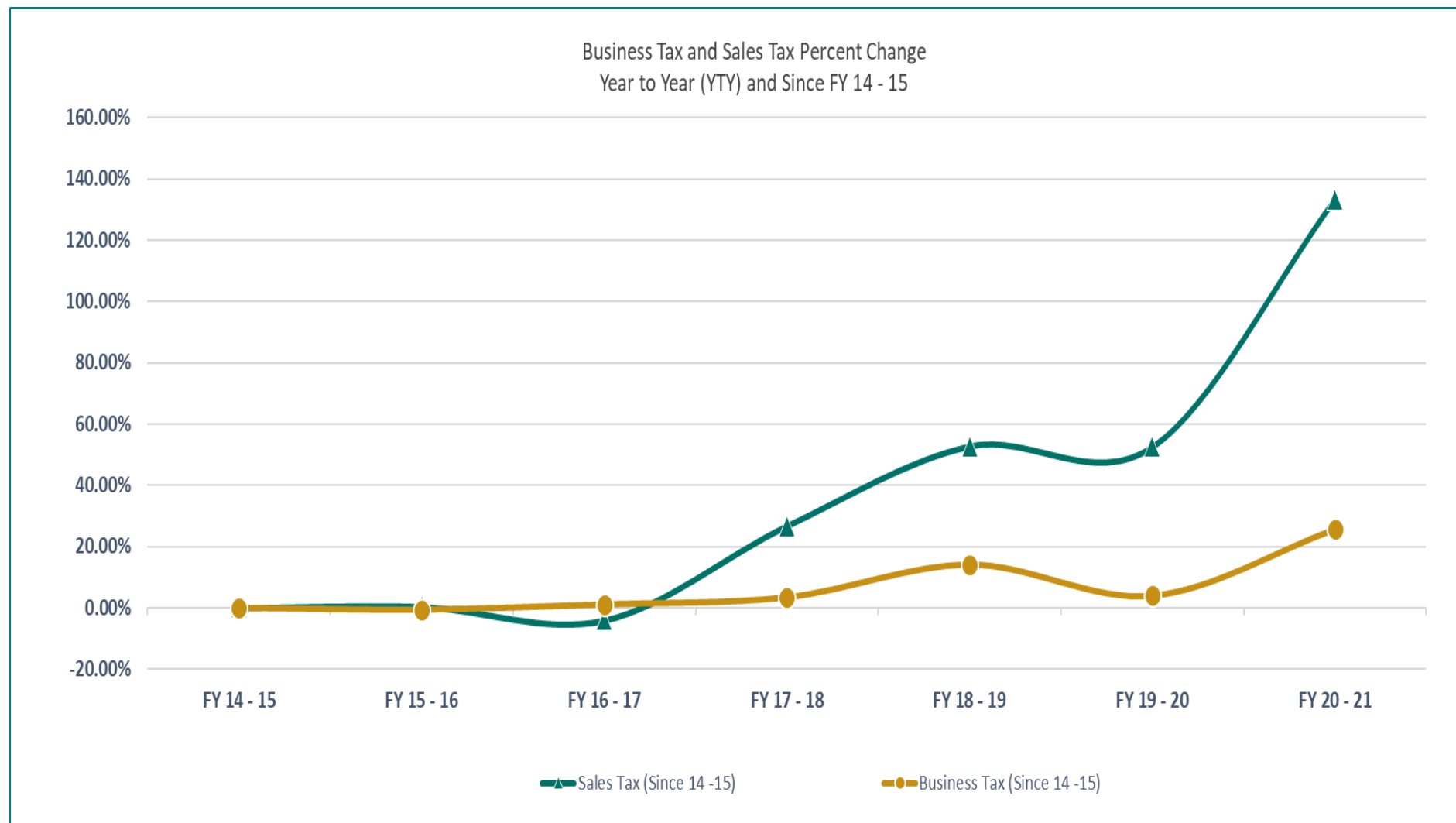


Think Inside the Triangle™



Think Inside the Triangle™

# Tracy's Business Tax & Sales Tax Percentage Change YTY Since 2015



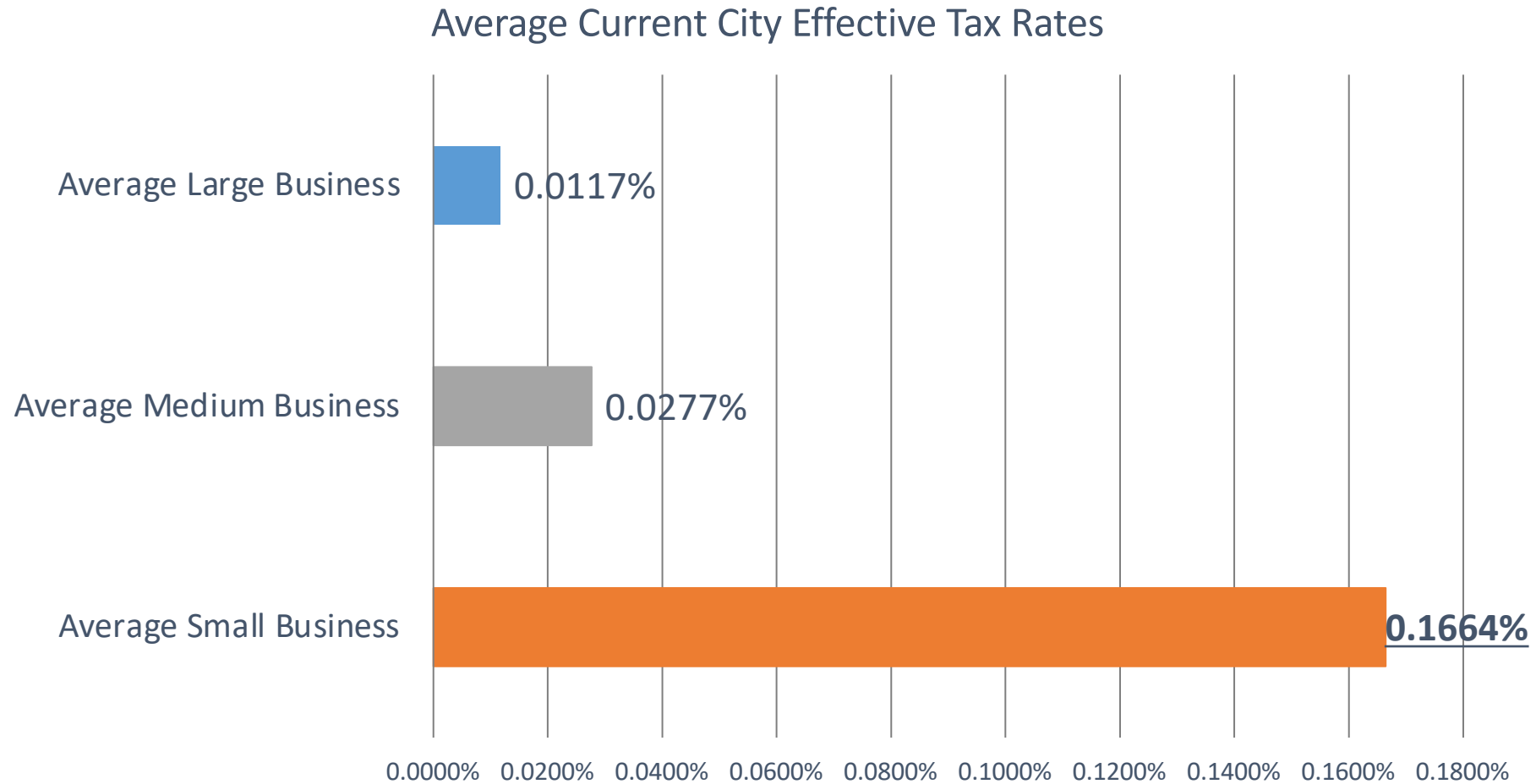
# BUSINESS TAXES AVERAGE EFFECTIVE TAX RATE PAID

City Name	Population	Businesses	Tax Type	Est. Revenue	Last Ord. Revision
Modesto	214,221	7,750	Gross Receipts	\$14,068,205	1997
Stockton	307,000	15,111	Gross Receipts	\$13,215,000	2005
Fremont	237,807	8,553	Gross Receipts	\$11,700,000	2016
San Leandro	90,553	9,900	Employees / Units	\$7,191,859	1995
Livermore	86,493	8,601	Gross Receipts /Gross Expense	\$6,933,658	2018
Pleasanton	82,372	9,800	Gross Receipts	\$4,422,151	2017
Concord	129,688	9,447	Gross Receipts / Employees	\$4,015,577	2017
Hayward	159,620	9,051	Gross Receipts / Employees / Sqft	\$2,978,708	1978
Tracy	91,812	4,861	Employees	\$873,373	2002
Manteca	81,592	3,779	Flat Rate	\$718,836	1990
Brentwood	63,800	4,840	Gross Receipts	\$718,700	2016
Lathrop	23,284	1,391	Flat	\$189,242	2002
Oakley	42,129	1,200	Gross Receipts	\$159,586	2018





# Tracy's Business Taxes Average Effective Tax Rate Paid





# Original Proposed Business Taxes Structure

- The proposed Business Taxes structure is a progressive tax based on four tax rates on gross receipts by business categories

Business Rate Categories	Minimum Fee	Proposed Gross Receipts Rate
GENERAL BUSINESS	\$50 Flat Rate Per Business (first \$200,000 of GR)	0.001 X Gross
MANUFACTURING, WAREHOUSING, WHOLESALING		0.0015 X Gross
CONTRACTOR		0.002 X Gross
SERVICE		0.002 X Gross
PROFESSIONALS		0.003 X Gross
RENTAL (COMMERCIAL)		0.003 X Gross
RENTAL (RESIDENTIAL)		0.003 X Gross

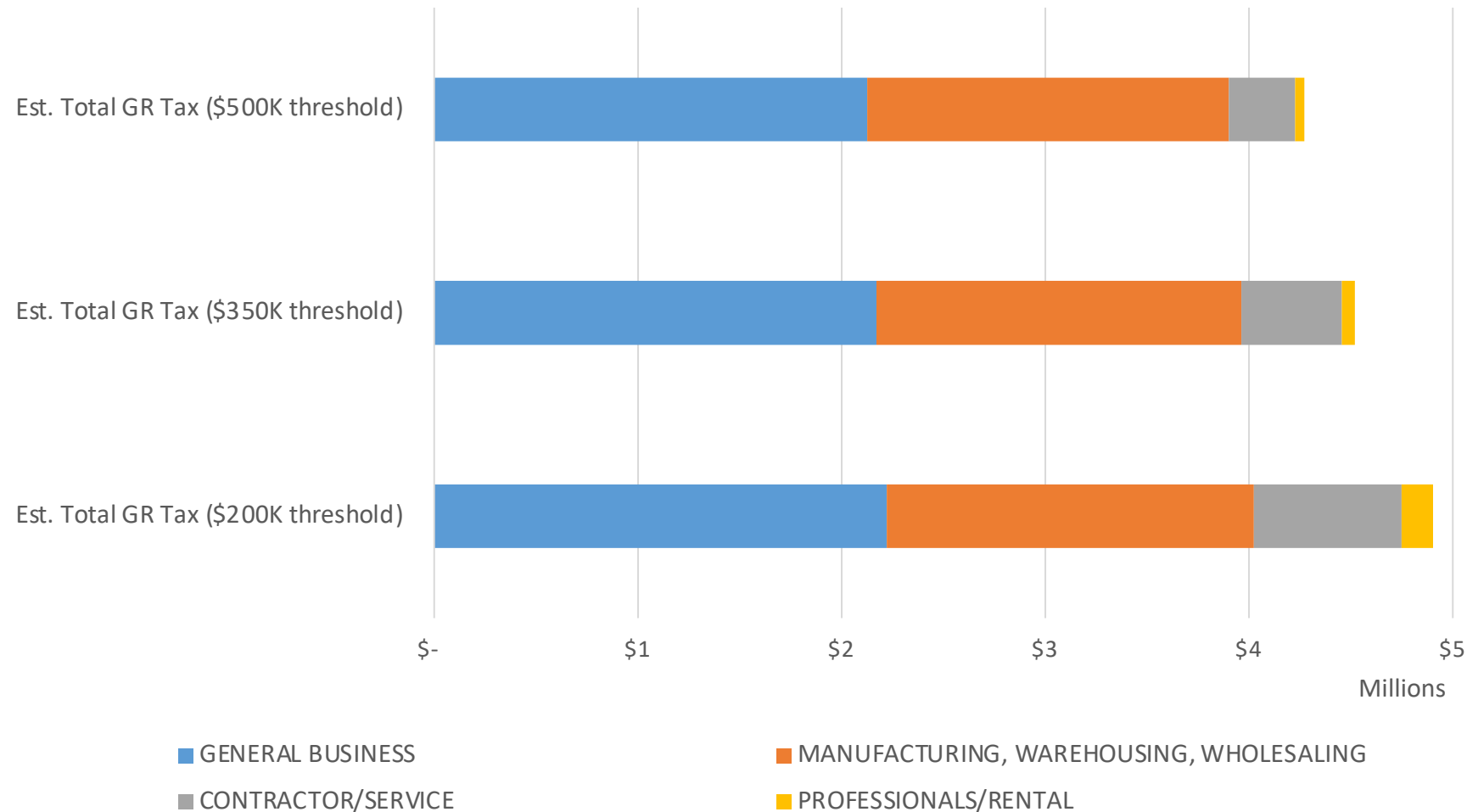
# Three (3) Alternatives for Business Tax Structure

- During the July 5, 2022 Special Meeting, the City Council directed staff to return with three alternatives to the gross receipts threshold for the base rate
  - Alternative 1: Flat rate of \$50 for first \$200,000 in gross receipts
  - Alternative 2: Flat rate of \$50 for first \$350,000 in gross receipts
  - Alternative 3: Flat rate of \$50 for first \$500,000 in gross receipts

# Alternatives for Threshold of Gross Receipts for Base Tax

Business Rate Categories	Proposed Rate	Total Businesses	Est. Total GR Tax (\$200k threshold)	Est. Total GR Tax (\$350k threshold)	Est. Total GR Tax (\$500k threshold)
GENERAL BUSINESS	0.001	693	\$ 2,220,579	\$ 2,171,882	\$ 2,126,506
MANUFACTURING, WAREHOUSING, WHOLESALE	0.0015	219	\$ 1,803,999	\$ 1,789,017	\$ 1,774,377
CONTRACTOR/SERVICE	0.002	3,202	\$ 723,878	\$ 493,287	\$ 325,896
PROFESSIONALS/RENTAL	0.003	625	\$ 155,971	\$ 65,420	\$ 44,532
Totals		4,739	\$ 4,904,426	\$ 4,519,606	\$ 4,271,312

# Alternatives for Threshold of Gross Receipts for Base Tax



# RESOLUTION 3

## ***Business Taxes including a flat rate of \$50 for the first \$500,000***

In accordance with State law, the proposed amendment will be presented as a ballot question. Specifically, the proposed approves the following ballot label for the proposed General Tax, to be submitted for a “Yes” or “No” vote:

**To ensure large businesses pay a proportionate share and provide City services such as: repairing potholes/streets; keeping public areas healthy/safe/clean; maintaining neighborhood police patrols/9-1-1 response/fire protection; supporting our economy/general government shall the ordinance to update the City of Tracy business taxes be typical rates between 0.1% and 0.3% of gross receipts, as described in ordinance, providing an additional \$3,200,000 annually, until ended by voters?**

# Q & A

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