City of Emeryville Business License Tax

Business Tax Study

Presented By HdL Companies

The Basis of the Tax

Five Key Components of A Business License Tax

1. The taxable activity. In the City of Emeryville, the taxable activity is "…all activities engaged in or caused to be engaged in within this City with the object of gain, benefit or advantage, whether direct or indirect, to the taxpayer or to another or to others…"
2. The measure of the taxable activity. Once we know what is taxed, we must measure how much of that taxable activity is occurring. Some cities may measure the number of employees. A more modern trend is to measure the gross receipts. Emeryville measures the gross receipts in most categories (some categories are not calculated on gross receipts)
3. The rate. Given a certain amount of taxable activity, a rate is applied to determine how much tax is owed.
4. The classification. Cities will often group certain kinds of businesses together and apply different tax rates to each group. For example, a city might want to charge restaurants a lower rate than commercial rentals.
5. The results. Since we are concerned with the revenue-generating aspect of the business license, when we refer to the "results" of the tax, we mean the revenue generated for the City.

Where is the City now?

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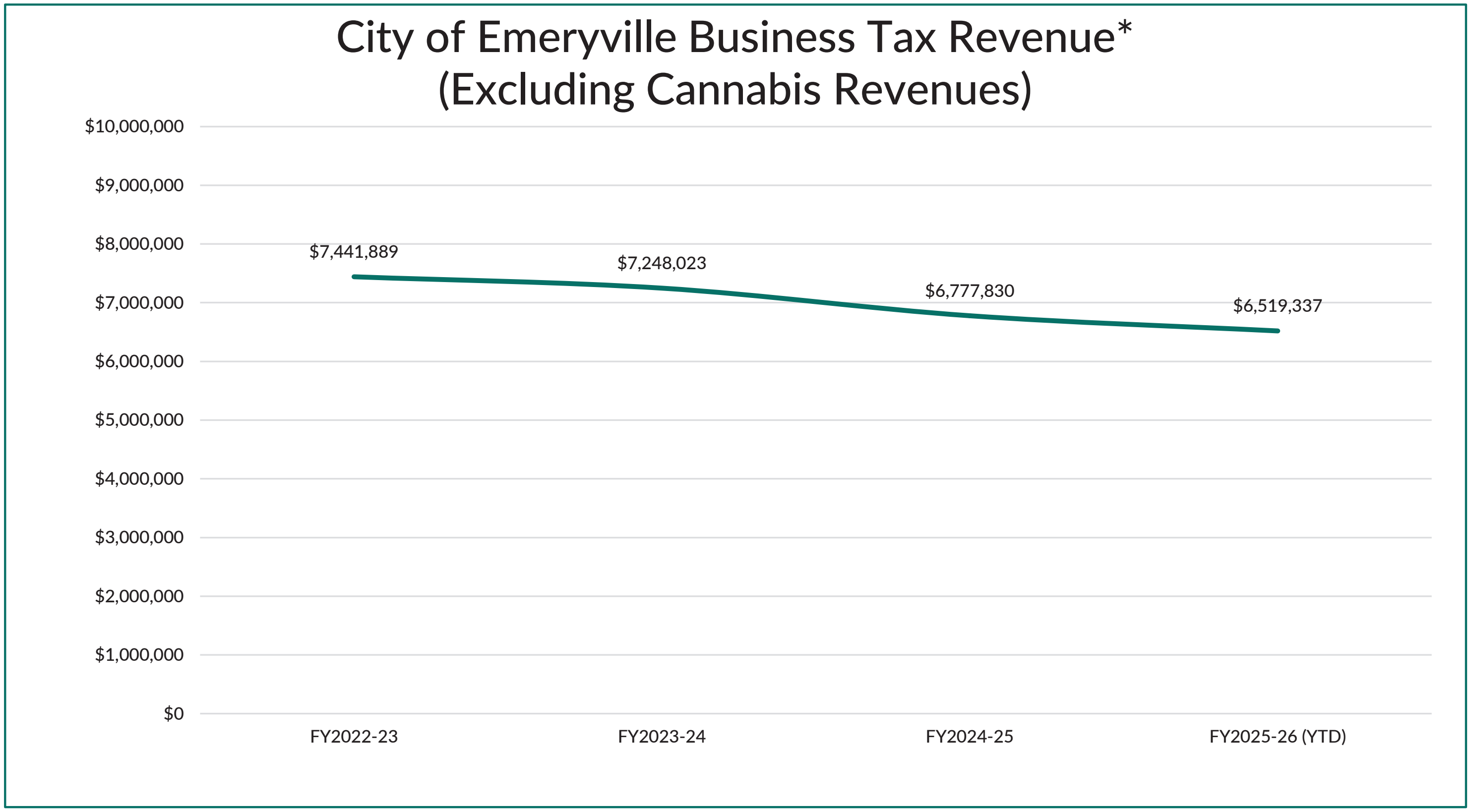
Where is the City now?



*Because the City reports business tax with cannabis tax in public reports, revenues here reflect business license revenues during the past 4 years that HdL has managed the City's business license tax program.

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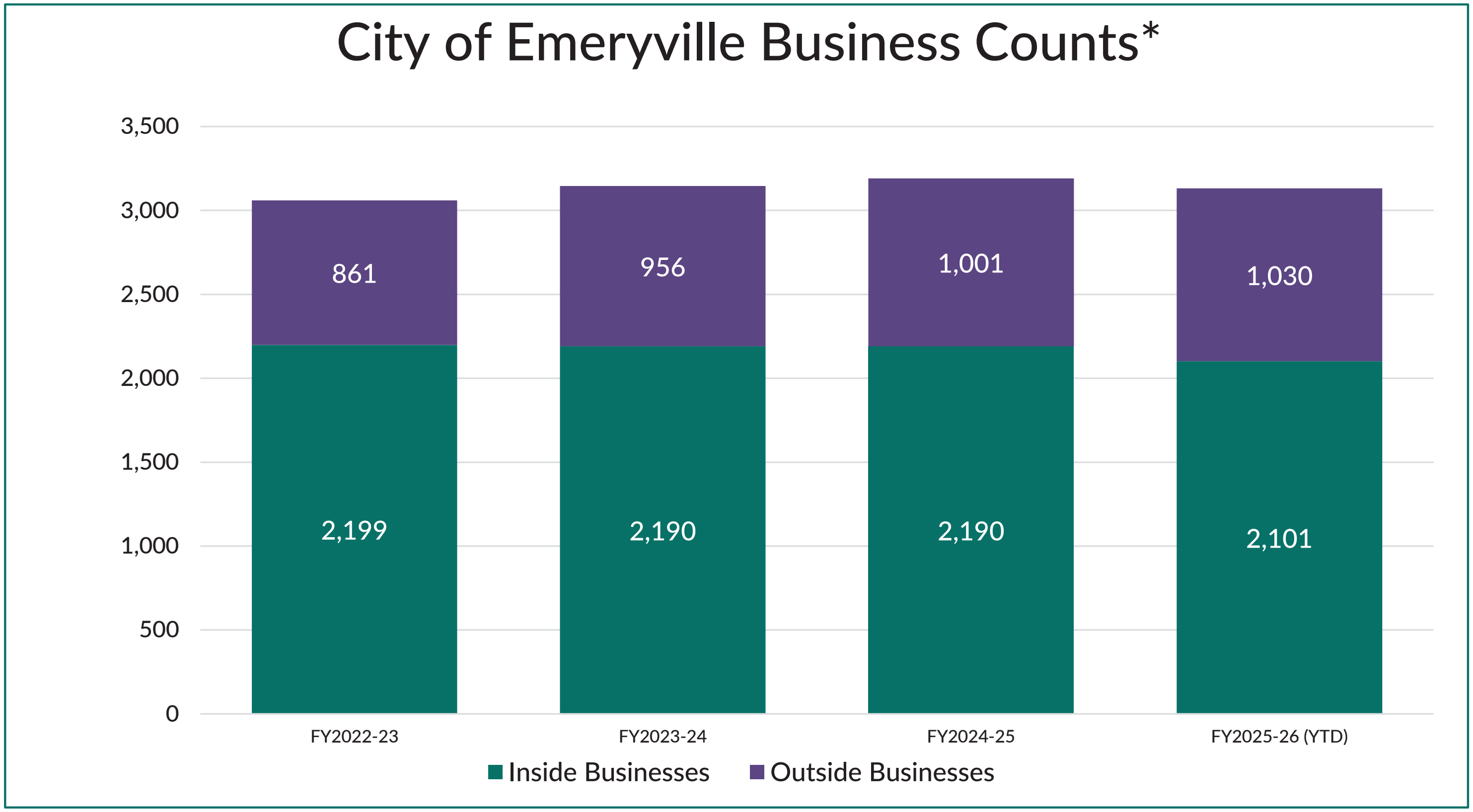
Where is the City now?



*Data is limited to what is available in the HdL Database

Important notes about the City's current tax structure:

- Most businesses are taxed at a \$1 per \$1,000 in gross receipts
- There are currently 56 business classifications
- In addition to the tax, businesses pay a processing fee, state fee, and any other applicable fees. These fees are not considered in this study, and any changes would result from a cost recovery fee analysis, which is outside the scope of this study.

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Where is the City now?

Rate Type	Count of Business	Primary Tax Type
EM: Gross Receipts	1,025	Gross Receipts $1/$1,000
EM: GR Tax Residential Landlords	872	Gross Receipts $1/$1,000
EM: Annual Contractors	658	Greater of GR $1/$1,000 or Flat Rate
EM: Rental of Commercial Property	188	Gross Receipts $3.50/$1,000
EM: Professional and Semi-pro	177	Gross Receipts $1/$1,000
EM: Exemption for Nonprofit Corp	67	Exempt from BLT
EM: Certain Businesses Not Having Gross Receipts	60	Gross Payroll $1/$1,000
OAK - Class A Retail	1	Tiered Gross Receipts (Set by Oakland; Progressive Range $0.90 - $2.50 per $1k)
OAK - Class O Rentals	1	Tiered Gross Receipts (Set by Oakland; $1.395 per $1k Gross Receipts, Min: $13.95)
All Other Rate Types (16)	141	Varies from Flat Rates to Gross Receipts
Totals	3,190	

*33 rates enumerated in the tax code are not used by active businesses; 95% of businesses are represented in the top 7 categories

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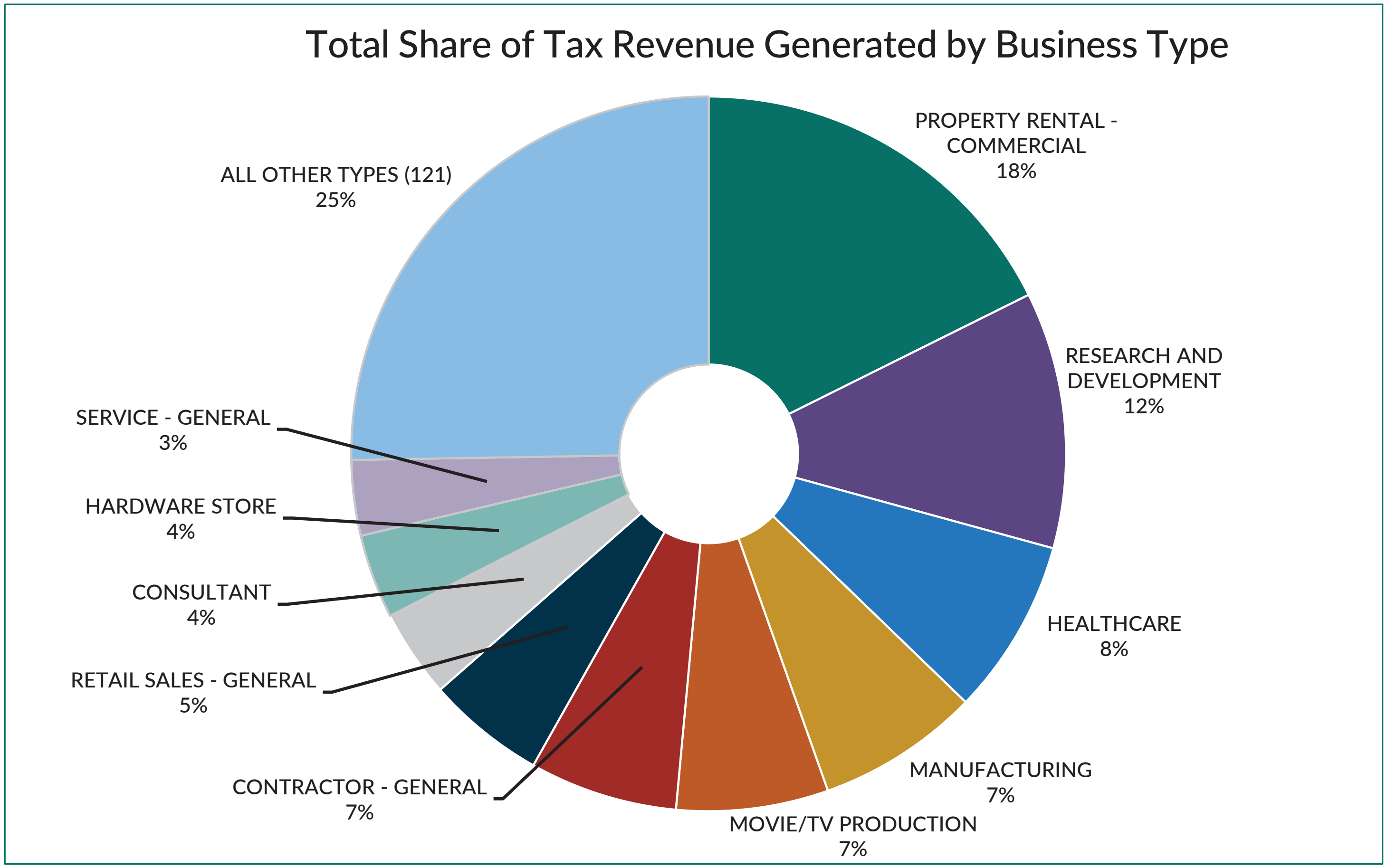
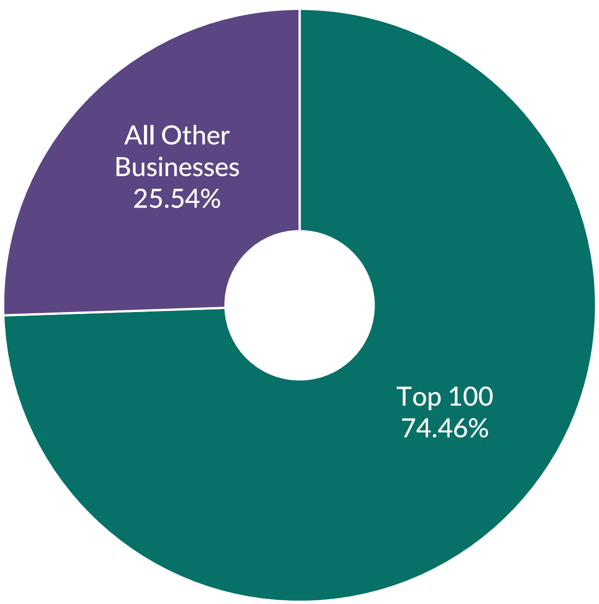
Where is the City now?



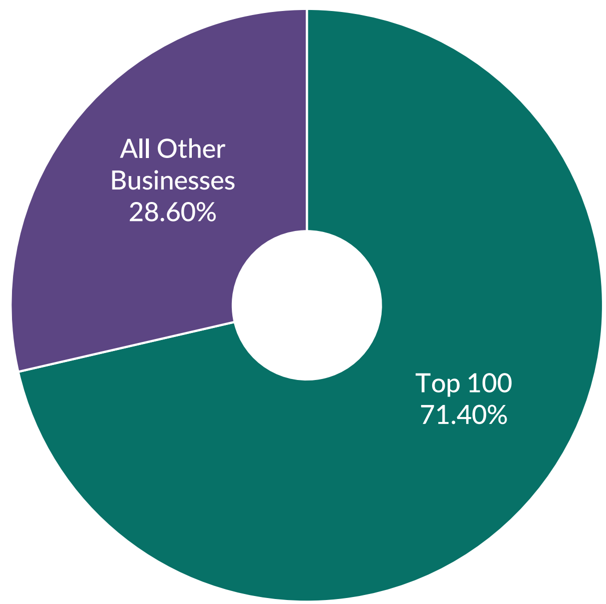
Where is the City now?

The top 100 businesses account for 75% of the City's business activity and 73% of the total tax collected.

Top 100 - Percent of
Total Reported Gross Receipts



Top 100 - Percent of
Total Taxes Charged



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Jurisdiction Comparison:
Basic Overview

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Jurisdiction Comparison

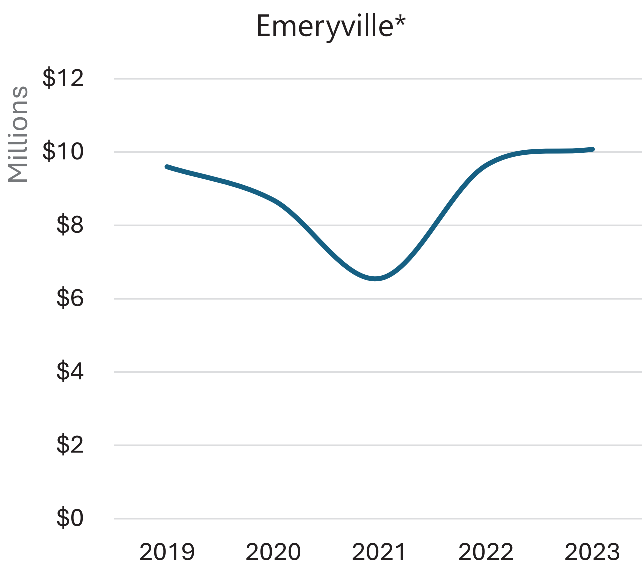
Demographic and Economic Statistics by Location

Location	Population	Business Count	Business Tax Revenue	Revenue Per Capita	Revenue Per Business	Ordinance Last Modified	Tax Basis	Cap/Maximum?
Emeryville	12,732	3,100	$10,076,975*	$791	$3,251	1984	Gross Receipts	Y
Alameda	73,353	5,500	$2,495,924	$33	$454	1990	Gross Receipts	N
Berkeley	118,962	11,700	$29,343,969	$247	$2,508	2018	Gross Receipts	N
Oakland	436,504	30,100	$115,376,772	$264	$3,833	2022	Gross Receipts	N
Pleasanton	74,653	9,500	$5,853,515	$78	$616	2017	Gross Receipts	N
Redwood City	80,996	16,700	$3,205,868	$40	$192	2024	Per Employee	Y
San Leandro	85,784	8,400	$7,824,136	$91	$931	1995	Per Employee	N
South San Francisco	63,123	6,500	$3,831,306	$61	$589	2024	Per Employee	N
Union City	65,414	5,500	$1,898,579	$29	$345	2024	Gross Receipts	N
Walnut Creek	69,152	7,900	$3,680,457	$53	$466	2010	Gross Receipts	N

* Revenue is based on state reported revenue and contains general business license and cannabis revenue.

Business License Revenue Comparison

5-Year Revenue Trend



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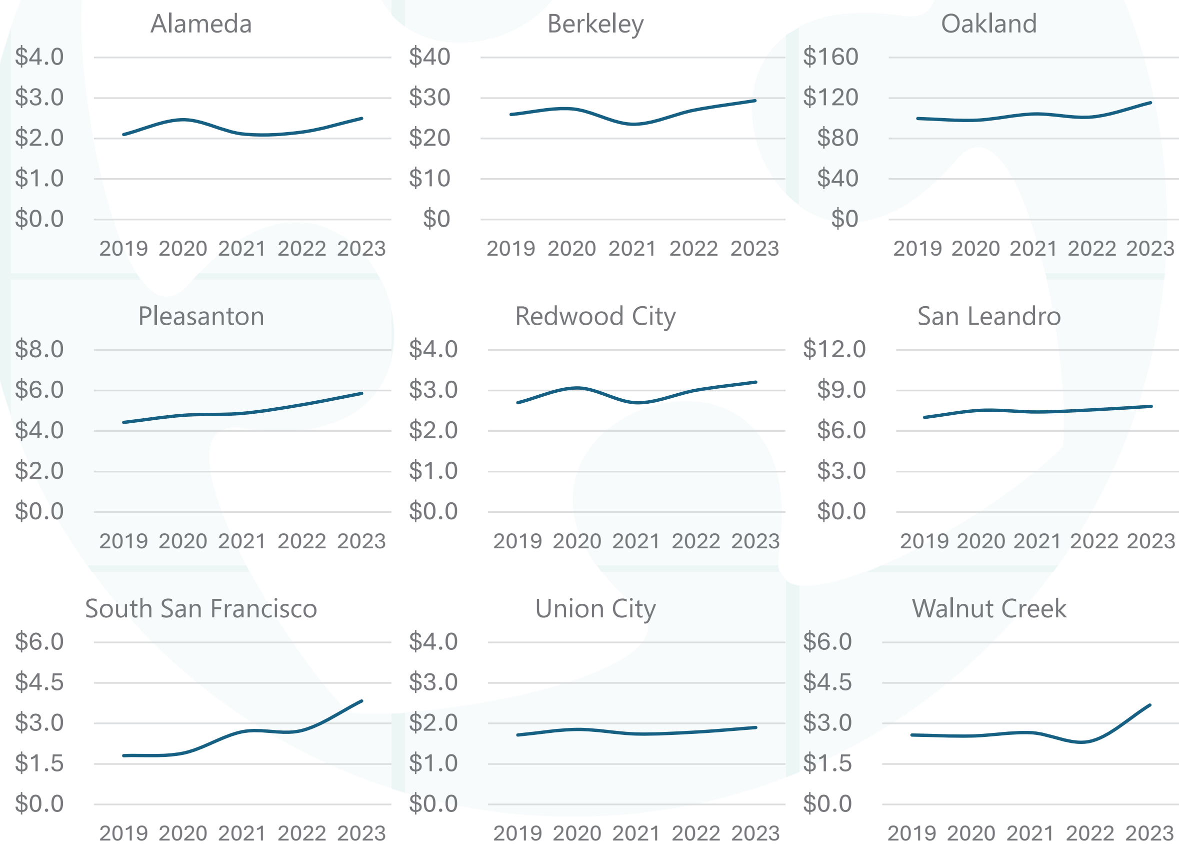

Jurisdiction Comparison:
Detailed Analysis

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Jurisdictions for Detailed Analysis

- Emeryville
- Berkeley
- South San Francisco
- Walnut Creek

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Rate Calculations

<table>
<tr><th>Business Class \ Jurisdiction</th><th>Emeryville</th><th>Berkeley</th><th>South San Francisco</th><th>Walnut Creek</th></tr>
<tr><td>Contractors</td><td>Greater of $200 per Year
or $1/$1,000
of gross receipts
Maximum: $450,997.99</td><td>$1.80 per thousand
of gross receipts
Minimum $77</td><td>$1.80 per thousand
of Construction Value on Permit</td><td>$656 Flat Rate</td></tr>
<tr><td>General Business / Retail</td><td>$1 per thousand
of gross receipts
Minimum $25
Maximum: $450,997.99</td><td>$1.20 per thousand
of gross receipts
Minimum $77</td><td>$150 + Per Employee Rate
+ $30 per employee < 9
+ $45 per employee < 99
+ $55 per employee > 99</td><td rowspan="5">Businesses in these categories have two (2) options:

Flat Rate based on tiered gross receipts ranges from: $23 to $2,019 + $0.02 per thousand of gross receipts in excess of $10 million.

or

Employee Rate:
+ $33 per employee <= 300
+ $16 per employee > 300</td></tr>
<tr><td>Professionals</td><td>$1 per thousand
of gross receipts
Minimum $25
Maximum: $450,997.99</td><td>$3.60 per thousand
of gross receipts
Minimum $77</td><td>$275
+ $275 per additional partner or associate</td></tr>
<tr><td>Rental – Commercial</td><td>$3.50 per thousand
of gross receipts
Minimum $25
Maximum: $450,997.99</td><td>(1 – 4 Units) + $10.81 or
(5 or more) + 28.80
per thousand of gross receipts
Minimum $77</td><td>$150 + Per Employee Rate
+ $30 per employee < 9
+ $45 per employee < 99
+ $55 per employee > 99</td></tr>
<tr><td>Rental – Residential</td><td>$1 per thousand
of gross receipts
Minimum $25
Maximum: $450,997.99</td><td>(1 – 4 Units) + $10.81 or
(5 or more) + 28.80
per thousand of gross receipts
Minimum $77</td><td>$50 per unit (Long-Term Rentals)</td></tr>
<tr><td>Services</td><td>$1 per thousand
of gross receipts
Minimum $25
Maximum: $450,997.99</td><td>$2.40 per thousand
of gross receipts
Minimum $77</td><td>$150 + GB Per Employee Rate
+ $30 per employee < 9
+ $45 per employee < 99
+ $55 per employee > 99</td></tr>
</table>

Business Scenarios – Tax Structure

Hypothetical Business	Business Type	Gross Receipts	Employees	Emeryville	Berkeley	South San Francisco	Walnut Creek
Consulting Firm	Professional services (management consulting)	$1,800,000	12	Professional Business: Gross Receipts x 0.1% Minimum $25	Professional Business: Gross Receipts x 0.36% Minimum $51	Professional: $275 + $275 per additional partner or associate	General: $414 + (GR over $1M*0.026%)
Supermarket	Grocer (retail)	$9,500,000	80	General Business: Gross Receipts x 0.1% Minimum $25	Grocer: Gross Receipts x 0.06% Minimum $51	General Business: $150 + $30 per employee < 9 + $45 per employee < 99	General: $1,674 + (GR over $7M*0.0115%)
Biotech/R&D Business	Research and Development	$250,000,000	100	General Business: Gross Receipts x 0.1% Minimum $25	Professional Business: Gross Receipts x 0.36% Minimum $51	General Business: $150 + $30 per employee < 9 + $45 per employee < 99	General: $2,019 + (GR over $10M*0.002%)
Sit-down Restaurant	Restaurant (food service)	$2,200,000	28	General Business: Gross Receipts x 0.1% Minimum $25	Miscellaneous Business: Gross Receipts x 0.24% Minimum $51	General Business: $150 + $30 per employee < 9 + $45 per employee < 99	General: $674 + (GR over $2M*0.0245%)
Commercial Landlord	Rental of commercial real property	$1,200,000	2	Commercial Property Rental: Gross Receipts x 0.35%	Rental of Real Property: Gross Receipts x 1.081% Minimum $77 per building	No Taxation for Commercial Rental	General: $414 + (GR over $1M*0.026%)
General Contractor	Construction contractor	$5,000,000	30	Contractor: Greater of $200 or Gross Receipts x 0.1%	Construction Contractor: Gross Receipts x 0.18% Minimum $51	Contractor: Work Valuation x 0.18%	General Contractor: $656 per Year
Retail Boutique	Retail trade (clothing boutique)	$400,000	6	General Business: Gross Receipts x 0.1% Minimum $25	Retail Trade: Gross Receipts x 0.12% Minimum $51	General Business: $150 + $30 per employee	General: $293.25 per Year

Business Scenarios – Estimated Revenue

Hypothetical Business	Business Gross Receipts	Business Employee Count	Emeryville	Berkeley	South San Francisco	Walnut Creek
Consulting Firm	$1,800,000	12	$1,800	$6,480	$3,300	$622
Supermarket	$9,500,000	80	$9,500	$5,700	$3,615	$1,962
Biotech/R&D Business	$250,000,000	100	$250,000	$900,000	$4,515	$6,814
Sit-down Restaurant	$2,200,000	28	$2,200	$5,280	$1,275	$723
Commercial Landlord	$1,200,000	2	$1,200	$12,972	$0	$466
General Contractor	$5,000,000	30	$5,000	$9,000	$9,000	$656
Retail Boutique	$400,000	6	$400	$480	$330	$293

Models

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Single Gross Receipts Rate Models

Model Structure:

- One Gross Receipts Rate for all Businesses
- Small Minimum Fee
- Exempt business definition remains unchanged
- Proposed models have higher rates than the existing $1 per $1,000 rate for most businesses
- Removes the current taxation cap

Pros:

- Simple for businesses to know what they will pay
- Increased Revenues
- Increases equity as all businesses pay the same rate on gross receipts
- Like the current structure outcome, where most businesses pay the same rate, this further increases simplicity and allows no other option based on business type

Cons:

- Does not consider the business type in deciding rates

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Single Gross Receipts Rate

Tax Basis	Taxable Gross Receipts
Flat Rate	$25 Flat Rate (Up to $25,000 Gross Receipts)
Gross Receipts Tax	+ $1.50 per thousand dollars of Gross Receipts (0.0015 x Gross Receipts)

Number of Businesses	Total Taxable Gross Receipts	Current Revenues	Option 1: Tax Amount $1.50/thousand	Option 2: Tax Amount $2.00/thousand
3,190	$5.04 Billion	$6,561,000	$7,498,000	$9,970,000
		Increased Revenue	$937,000	$3,409,000

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Variable Gross Receipts Rate Models

Model Structure:

- Variable Gross Receipts Rate for businesses based on business type
- Small Minimum Fee
- Model removes the special or specific categories in the current code in favor of 5 base categories and an exempt category.
- Removes the current taxation cap

Pros:

- Only five taxable categories – Improved Simplicity
- Increased Revenues depending on the rates chosen
- Increases equity further by accounting for differences in business activity

Cons:

- Definitions have the potential to be too ambiguous
- Businesses with multiple tax types will need multiple licenses
- Could be considered unfair if the rate is specifically targeted for a break or higher rate

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Variable Gross Receipts Rate Models

Rate Structure

Categories*	Minimum Rate	Option 1	Option 2
Contractor	$25 Flat Rate (Up to $25,000 Gross Receipts)	0.002 X Gross	0.003 X Gross
General/Retail		0.00075 X Gross	0.001 X Gross
Property Rental		0.0035 X Gross	0.004 X Gross
Services		0.002 X Gross	0.003 X Gross
Professional		0.003 X Gross	0.004 X Gross
Exempt	$0	$0	$0

*These categories are roughly defined in Appendix A.

Variable Gross Receipts Models

Business Type	Number of Businesses	Est. Taxable Gross Receipts	Current Taxes	Variable Gross Receipts Option 1 Est. Revenue	Variable Gross Receipts Option 2 Est. Revenue
Contractor	719	$379 Million	$481,000	$745,000	$1,108,000
General/Retail	337	$1.77 Billion	$2,059,000	$1,325,000	$1,764,000
Property Rental	1,072	$418 Million	$1,312,000	$1,406,000	$1,602,000
Professional	429	$1.54 Billion	$1,713,000	$4,566,000	$6,087,000
Services	566	$1.1 Billion	$1,213,000	$1,842,000	$2,755,000
Exempt	67	$0	$0	$0	$0
Totals	3,190	$5.04 Billion	$6,561,000	$9,884,000	$13,314,000
			Increased Rev.	$3,323,000	$6,753,000

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Business Scenarios – Estimated Revenue

Hypothetical Business	Business Gross Receipts	Business Employee Count	Emeryville (Current)	Single Gross Receipts Option 1	Single Gross Receipts Option 2	Variable Gross Receipts Option 1	Variable Gross Receipts Option 2	Berkeley	South San Francisco	Walnut Creek
Consulting Firm	$1,800,000	12	$1,800	$2,688	$3,575	$5,350	$7,125	$6,480	$3,300	$622
Supermarket	$9,500,000	80	$9,500	$14,238	$18,975	$7,131	$9,500	$5,700	$3,615	$1,962
Biotech/R&D Business	$250,000,000	100	$250,000	$374,988	$499,975	$749,950	$999,925	$900,000	$4,515	$6,814
Sit-down Restaurant	$2,200,000	28	$2,200	$3,288	$4,375	$1,656	$2,200	$5,280	$1,275	$723
Commercial Landlord	$1,200,000	2	$1,200	$1,788	$2,375	$4,138	$4,725	$12,972	$0	$466
General Contractor	$5,000,000	30	$5,000	$7,488	$9,975	$9,975	$14,950	$9,000	$9,000	$656
Retail Boutique	$400,000	6	$400	$588	$775	$306	$400	$480	$330	$293

Taxation Cap Analysis

Cap Amount*
$450,997.99

Revenues shown in this table are revenues lost from total revenue estimates presented earlier if a cap is retained.

Number of Businesses	Single Gross Receipts Option 1	Single Gross Receipts Option 2	Variable Gross Receipts Option 1	Variable Gross Receipts Option 2
Count of Businesses Affected	3	4	2	2
Total Revenue Impact	$389k	$1M	$830k	$1.41M

*Cap amount for this example is the current maximum tax for Emeryville as of August 2025

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Questions?

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Appendix A – Category Definitions

In Model 3, we use five basic business categories along with an exempt category. These are five basic structures that are common across municipalities. The definitions below are general and not meant to be the complete definitions that would appear in a municipal code.

Contractors: These are persons or firms that are carrying on the business of a contractor, subcontractor, or builder, particularly the construction or repair of any buildings. Examples include but are not limited to construction, plumbing, HVAC, etc.

General Commerce/Retail: These are retailers, restaurateurs, and other general businesses. All these businesses are likely to contribute to your tax base in other ways (i.e., sales tax) and often have lower profit margins.

Property Rental: Although listed separately, this category includes any business that leases, rents, or provides use of real property to another individual or entity for compensation. Examples include, but are not limited to, commercial leasing, residential rental, parcel leasing, hoteliers, etc. The city could also include language and rates for taxing short-term rentals in this category.

Services: This sector offers services that require minimal to no higher education or training. It is also the default category for any business that is not explicitly defined in one of the other five categories. Examples include, but are not limited to, hair stylists, gardeners, nail salons, etc.

Professional and Advanced: These businesses offer services that require rigorous training through higher education or vocational institutions that certify the complete acquisition of skills and the ability to provide such professional services. This also includes businesses that can be considered "Advanced Services," such as those in the research and development and scientific fields. Examples include, but are not limited to, a doctor's office, a law office, a consulting firm, etc.

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Appendix B – Rate Type Crosswalk

Current Rate Type	Current Registry Business Count	Current Tax Rate	Proposed Category	Proposed Rate Model 3a ($/$1000)
EM: Gross Receipts	1,025	Gross Receipts $1/$1,000	Varies based on specific type	Between $0.75 and $3.50 per $1,000
EM: GR Tax Residential Landlords	872	Gross Receipts $1/$1,000	Rental	$3.50
EM: Annual Contractors	658	Greater of GR $1/$1,000 or Flat Rate	Contractor	$2.00
EM: Rental of Commercial Property	188	Gross Receipts $3.50/$1,000	Rental	$3.50
EM: Professional and Semi-pro	177	Gross Receipts $1/$1,000	Professional	$3.00
EM: Exemption for Nonprofit Corp	67	Exempt from BLT	Exempt	$0.00
EM: Certain Businesses Not Having Gross Receipts	60	Gross Payroll $1/$1,000	Varies based on specific type	Between $0.75 and $3.50 per $1,000
All Other Rate Types (49)*	143	Varies from Flat Rates to Gross Receipts	Varies based on specific type	Between $0.75 and $3.50 per $1,000
Totals	3,190			

*Please see the supplemental documentation for full crosswalk