

CITY OF SANTA CLARA BUSINESS LICENSE TAX – MEASURE _____
CITY ATTORNEY’S IMPARTIAL ANALYSIS

The Santa Clara City Council placed Measure _____ on the ballot, asking voters to adopt an ordinance updating Santa Clara’s 1992 business tax. Currently, unless exempt, businesses pay an annual business tax depending on the type of business and/or number of employees, ranging from an annual \$15 to \$500 maximum per business. The annual tax for rental units is \$3 per unit for operators of three or more rental units. The tax is not currently adjusted for inflation. Measure _____ will eliminate the various business tax rates by type of business and require that all businesses pay a flat rate per employee or rental unit, as applicable.

If approved by a majority of the voters, Measure ____ would enact an ordinance, effective on July 1, 2023, to (1) require businesses to pay a flat rate of \$45 per employee per business and \$15 per rental unit for operators of three or more rental units in the City; and (2) set the annual caps on the maximum amount of tax payable to \$350,000. The proposed ordinance also provides for annual adjustment for inflation based on a consumer price index, not to exceed five percent per year.

The proposed ordinance maintains various exemptions including the exemptions for nonprofit organizations and disabled veterans while adding an exemption for certain small business operators whose gross receipts are five thousand dollars or less.

If approved, the tax will continue until repealed by the voters or suspended in whole or in part by the City Council. The business license tax is a general tax, the proceeds of which could be used for any legal municipal purpose such as 911 emergency, public safety, crime reduction services, safe and clean public areas, pothole repair, parks, and libraries.

The City estimates that the changes could increase the amount of business taxes paid to the City by about \$5 million per year.

A "Yes" vote approves the measure, increasing rates and revising the business tax as set forth in the proposed ordinance effective July 1, 2023.

A “No” vote rejects the measure and maintains the current tax rates.

The above statement is an impartial analysis of Measure _____. The full text of the measure is available at www.santaclaraca.gov or by calling the City Clerk’s Office at 408-615-2220, and a copy will be sent to you at no cost.

Steve Ngo,
Interim City Attorney

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