

MEASURE T - PROGRESSIVE BUSINESS TAX

THE QUESTION

Shall the measure amending Oakland's business tax rates to create a progressive rate structure that would (1) impose the highest rates on the highest grossing businesses, (2) increase Oakland's annual tax revenue by an estimated \$20,900,000, and (3) generate approximately \$124,000,000 in total annual revenue for municipal services by imposing business tax rates of .05% to .55% of gross receipts, and other rates as stated in the measure, be adopted?



THE SITUATION

Oakland's tax code classifies businesses located or operating in Oakland into categories. Each category has its own tax rate. That rate is "flat," meaning that every business in the category pays the same rate regardless of the company's number of employees or level of gross receipts.

Businesses now pay between \$.60 and \$ 4.50 per \$1000 of gross receipts depending on their category. Minimum payment is \$60.

FISCAL EFFECT

In 2020-21, business tax revenue was approximately \$104 million. Measure T would generate an additional approximately \$21 million for the General Fund, which could be used for any governmental purpose. The City estimates that implementation costs will be \$1.8 million and that annual staffing costs for administering the measure will be \$560,000.



REASONS TO SUPPORT

- Adopting a progressive business tax brings Oakland in line with the progressive codes of other cities such as San Francisco, Richmond and San Jose.
- Measure T is the product of a process that included citizen input from a Blue Ribbon Task Force as well as extensive input from, and compromise by, the City Council and labor and business communities.
- Revenue will augment the General Fund and provide the City flexibility to respond according to priorities that emerge



A YES VOTE MEANS

adopts the new Business Tax Code

THE PROPOSAL

Measure T does not change the Business Tax Code for cannabis businesses and residential rental businesses. However, the part of the Code governing residential rentals now qualifies triplexes as an additional type of property eligible for the owner-occupied exemption.

Measure T would amend the Business Tax Code with respect to all other businesses by creating some new categories, but, more importantly, by imposing progressive rates within each category. Businesses within each category would pay progressively higher rates as their gross receipts increased. In the category of manufacturing businesses, for example, five rates varying between \$1.20 to \$ 2.50 per \$1000 would apply to five different levels of gross receipts (\$0-\$1 million; \$1-2.5 million; \$2.5-20 million; \$20-50 million; or above \$50 million.)

Measure T would impose a minimum tax of \$60 for most businesses. Approximately 6,000 businesses would see tax reductions, but some of the highest grossing businesses, mostly companies with administrative headquarters in Oakland that realize more than \$20 million in annual revenue, would be assessed multiple times more than their current assessments.

REASONS TO OPPOSE

- The scale of tax hikes may prompt businesses to leave the City or to not bring their businesses here.
- Rate increases of this scale should be introduced progressively, not all at once, to allow time to assess the impact and modify the highest tax increases to avoid loss of businesses.
- Oakland taxes will be higher than some surrounding cities such as Berkeley and Pleasanton, which could give businesses incentive to relocate from Oakland or not move here.



A NO VOTE MEANS

rejects the new Code