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August 1, 2022

Asha Reed, City Clerk  
1 Frank H. Ogawa Plaza  
Oakland, CA 94612

**RE: Financial Analysis of “Progressive Business Tax III” November 2022 ballot measure**

Dear City Clerk Reed:

I am pleased to submit an impartial financial analysis of the “Progressive Business Tax III,” ballot measure which if approved by a majority of voters, will update the current business tax ordinance (Chapter 5.04 of the Oakland Municipal Code).

The Office of the City Auditor prepared this analysis in accordance with Municipal Code Section 3.08.210, which requires the Office to prepare an impartial financial analysis of each measure qualifying for ballot placement.

If you have any questions, please contact Assistant City Auditor, Michael Houston at 510-238-3114.

Sincerely,

A handwritten signature in black ink, appearing to read "Courtney A. Ruby". The signature is fluid and cursive, with a large loop at the end.

Courtney A. Ruby, CPA, CFE  
City Auditor

**Summary**

This measure, if approved by a majority of voters, will update the current business tax ordinance (Chapter 5.04 of the Oakland Municipal Code).

Currently a flat tax rate applies to nearly all businesses regardless of annual gross receipts earned. The measure will maintain the current minimum \$60 tax but will add five tax rate tiers based on gross receipts of the business. The tax rates for businesses with less than \$1 million in gross receipts will either be lower or equal to the current ordinance, depending on the business type. On the other hand, most businesses with gross receipts of more than \$1 million will pay higher business tax rates.

The table below shows current and proposed tax rates by business class across the proposed tiers.

Business	Current Tax Rate		Proposed Tax Rate				
	Minimum Payment	Tax per \$1,000	\$0 - \$1M	\$1M - \$2.5M	\$2.5M - \$20M	\$20M - \$50M	Above \$50M
Retail Sales	\$ 60.00	\$1.20	\$ 0.90	\$ 1.10	\$ 1.80	\$ 2.25	\$ 2.50
Auto Sales	\$ 60.00	\$1.20	\$ 1.20	\$ 1.75	\$ 1.80	\$ 2.25	\$ 2.50
Wholesale Sales	\$ 60.00	\$1.20	\$ 1.10	\$ 1.20	\$ 1.50	\$ 2.25	\$ 2.50
Manufacturing	\$ 60.00	\$1.20	\$ 1.20	\$ 1.32	\$ 1.50	\$ 2.00	\$ 2.50
Admin Headquarters	\$ 60.00	\$1.20	\$ 1.20	\$ 2.00	\$ 3.75	\$ 5.00	\$ 5.50
Media Firms	\$ 60.00	\$1.20	\$ 1.20	\$ 1.50	\$ 3.50	\$ 4.25	\$ 4.50
Miscellaneous	\$ 60.00	\$1.20	\$ 1.20	\$ 2.00	\$ 3.75	\$ 5.00	\$ 5.50
Grocers	\$ 60.00	\$0.60	\$ 0.50	\$ 0.55	\$ 1.00	\$ 1.75	\$ 2.50
Business/Pers Svcs	\$ 60.00	\$1.80	\$ 1.40	\$ 2.10	\$ 3.00	\$ 4.50	\$ 4.80
Construction Contractors	\$ 60.00	\$1.80	\$ 1.80	\$ 2.10	\$ 3.00	\$ 4.50	\$ 5.00
Hotel, Motel	\$ 60.00	\$1.80	\$ 1.80	\$ 2.10	\$ 2.80	\$ 3.50	\$ 4.00
Prof/Semi-prof Svcs	\$ 60.00	\$3.60	\$ 3.60	\$ 4.25	\$ 4.75	\$ 5.00	\$ 5.25
Rec & Entertainment	\$ 60.00	\$4.50	\$ 4.50	\$ 4.64	\$ 4.73	\$ 4.82	\$ 5.25
Public Utility	\$ 60.00	\$1.00	\$ 1.00	\$ 1.50	\$ 2.00	\$ 3.75	\$ 4.00

Additionally, the proposed measure increases the rates per vehicle for Taxi, Ambulance, Limousine services, and increases rates based on number of employees for Transportation/Trucking companies. The measure does not change the business tax rates for Cannabis businesses, Residential and Commercial Rentals, and Firearms ammunition.

New tax rates are effective January 1, 2023. The City Council may not amend or modify any business tax rates or minimum tax amounts except for Recreation and Entertainment businesses following a public hearing. However, they cannot increase the tax rate for cannabis businesses or any other tax for which voter approval is required.

Tax exemptions are available for affordable housing, buildings rented by the City, family daycare, and parking stall operators.

**Financial Analysis**

In fiscal year 2020-21, Business License Tax revenues were approximately \$104 million. The City estimates the proposed measure would increase business tax revenues by approximately \$21 million annually starting in fiscal year 2022-23. The proceeds are deposited in the City's General Purpose Fund and may be expended for any City purpose.

The City estimates that it will incur \$1.8 million to implement the new tax structure. These costs include staff, office equipment, enhanced outreach, new tax software, and miscellaneous implementation costs. This includes staffing costs of approximately \$560,000 annually to administer the measure.

Our independent analysis is based on the best information available at this time.