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Title: CONSIDERATION OF BUSINESS LICENSES AND PERMIT PROGRAM IN LIGHT OF SMALL BUSINESSES EXPERIENCING NEGATIVE FINANCIAL IMPACTS STEMMING FROM THE COVID-19 PANDEMIC (CITY COUNCIL)

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Report to Mayor and City Council

Tuesday, May 05, 2020

Discussion

SUBJECT:

CONSIDERATION OF BUSINESS LICENSES AND PERMIT PROGRAM IN LIGHT OF SMALL BUSINESSES EXPERIENCING NEGATIVE FINANCIAL IMPACTS STEMMING FROM THE COVID-19 PANDEMIC (CITY COUNCIL)

I. SUMMARY

Both the City Council and the Carson Disaster Council have expressed an interest in an update on the City’s Business Licenses and Permit program and, in particular, information on those Licenses and Permits that were either renewed or newly issued in March of 2020, or a subsequent month.

II. RECOMMENDATION

DISCUSS and PROVIDE direction.

III. ALTERNATIVES

1. Direct staff to process REFUNDS for all businesses OR a specified subgroup of businesses for a portion of the Business License tax that would be prorated to take into account the number of months the business was operating, OR

2. Approve the Business License Tax Refund Request application AND direct staff to either:
 - a. Provide REFUNDS on a case-by-case basis for that portion of the year that the business was not operating, OR
 - b. Apply a CREDIT to the account for the next renewal period for that portion of the previous year that the business was not operating, OR

3. TAKE another action the City Council deems appropriate.

IV. BACKGROUND

On March 17, 2020, the City Council adopted Resolution 20-053 (EXHIBIT 4) declaring a local emergency in response to COVID-19. On March 16, non-essential businesses were ordered to close by the County of Los Angeles (Exhibit #4). Many of our Carson businesses that are vital to the economic wellbeing of our community have either had to close because they were non-essential or have had significant reductions in business revenues because of COVID-19.

Most businesses that operate in Carson simply pay the base Business Tax in the amount of \$180; however, the tax increases for businesses with six (6) or more employees and for specified business types (e.g., real estate broker, contractor/construction, street vendors, etc.). For businesses that employ more than five (5) employees, \$36 is charged per additional employee.

The following table illustrates the number of Carson-based Business Licenses/Permit accounts, correlating expiration dates and the total revenue received for those months. Unless a business owner notifies the City that the business is permanently closed, that account remains in renewal status.

BUSINESS LICENSE/PERMIT EXPIRATION DATE	NUMBER OF ACCOUNTS (BUSINESS LICENSE/PERMITS)	RENEWAL ACCOUNTS REVENUE COLLECTED
1/31/2020	84	\$33,907
1/31/2021	307	\$93,275
2/29/2020	111	\$30,573
2/28/2021	360	\$189,792
3/31/2020	183	\$51,352
3/31/2021	266	\$140,610
4/30/2020	325	\$135,063
4/30/2021	86	\$36,828
5/31/2020	450	\$220,460
5/31/2021	20	\$5,590
6/30/2020	456	\$203,234
7/31/2020	401	\$191,278
8/31/2020	413	\$185,091
9/30/2020	453	\$226,754
10/31/2020	374	\$164,416
11/31/2020	341	\$126,775
12/31/2019	201	\$42,881
12/31/2020	933	\$316,520
TOTAL	5,764	\$2,394,399

The Table below shows that of the 5,556 Businesses Licenses issued, 4,493 (81%) are for businesses that employ zero to five (0-5) employees and 1,063 (19%) employ six (6) or more employees.

BUSINESS/EMP. CATEGORY	NUMBER OF BUSINESSES	PERCENTAGE OF TOTAL BUSINESSES
EMPLOYEES 0-5	4,493	81%
EMPLOYEES 6+	1,063	19%
TOTAL	5,556	100%

As mentioned above, the City’s base Business License tax includes payment for 0-5 employees and for every employee (6+), the City charges an additional \$36 each. In addition to the base Business License tax, certain business activities also require a Permit, for which there is an additional tax. Of the 5,556 businesses operating in Carson, 378 businesses pay for a Permit in addition to the Business License fee. For example, a mini-mart gas station that has a Business License and would also pay a \$600 Permit fee if

tobacco is sold.

New Business License/Permits Applications Since March 2020

As of March of this year, twenty (20) businesses applied for a new Business License/Permit as depicted in the chart below. Additional information is provided in (EXHIBIT 1).

BUSINESSES STARTING IN CARSON	BUSINESS LICENSES	BUSINESS LICENSE REVENUE	PERMITS	PERMIT REVENUE	TOTAL NUMBER OF ACCOUNTS	TOTAL REVENUE
MARCH	13	\$3,965	3	\$590	16	\$4,555
APRIL	5	\$2,173	0	\$0	5	\$2,173
MAY	2	\$5,528	1	\$600	3	\$6,128
TOTAL	20	\$11,666	4	\$1,190	24	\$12,856

If the Council desires to refund a portion of the paid Business License tax and applicable Permit fee, refunding a percentage (prorated to take into account the months they were open) may be more equitable than refunding a fixed dollar amount.

There is a chart below that illustrates refunding 10, 20, or 30% of the total tax revenue collected by the City each month for applications filed in March 2020 or later. Staff has not been notified if a new business actually did not open

Non-renewed Business Licenses

For licenses expiring March 31, 2020, 59% of businesses renewed their account; however, only 21% of accounts expiring in April have renewed.

ACCOUNT EXPIRATION MONTH (YR. 2020)	TOTAL ACCOUNTS	TOTAL # ACCOUNTS NEED TO RENEW	REVENUE OF NON-RENEWED ACCOUNTS
MARCH	449	183 (41%)	\$51,352
APRIL	411	325 (79%)	\$135,063

After analyzing all non-renewed accounts there does not appear to be any one type(s) of business that is more prevalent. The majority of non-renewed accounts are considered "general" and those licenses incorporate restaurants, warehouses, administrative offices, variety of retail stores, machine shops, auto repair, and service type businesses.

TYPES OF NON-RENEWED ACCOUNTS	TOTAL # ACCOUNTS	GENERAL BUSINESS LICENSE	HOMEBASED BUSINESSES	PERMITS	TAX EXEMPT & NON-PROFIT	RESIDENTIAL GUEST HOME & CHILD CARE	LAUNDRY FACILITY/CONSTRUCTION/ REAL ESTATE/THEATER
MARCH 2020	183	101	38	18	8	7	11
APRIL 2020	325	196	70	27	12	5	15

If the City were to refund all Business License/Permit fees for the months March and April (renewals and new applications), the total estimated City tax revenue for those two months is \$363,853.

The chart below depicts what revenue the City would forego by refunding 10, 20, or 30% of the total collected revenue for the month.

ACCOUNT EXPIRATION MONTH	TOTAL NO. ACCOUNTS	ACCOUNT REVENUE	FISCAL IMPACT REFUNDING PER MONTH		
			REFUNDING 10% OF REVENUE	REFUNDING 20% OF REVENUE	REFUNDING 30% OF REVENUE
MARCH	449	\$191,962	\$19,196	\$38,392	\$57,589
APRIL	411	\$171,891	\$17,189	\$34,378	\$51,567
TOTAL	860	\$363,853	\$36,385	\$72,771	\$109,156

Rather than refunding all or some portion of Business License/Permit revenue, another approach would be for businesses seeking a refund to complete and submit a Tax Refund Request application (EXHIBIT 2). This could be reviewed and granted on a case-by-case basis, subject to adequate proof of a COVID-19 impact. This could be processed in one of two ways:

1. Process a refund OR
2. Issue a credit to the account for the next renewal period.

V. FISCAL IMPACT

The fiscal impact will be based upon what type and how extensive any refund or the Business License Tax or credit would be. For example, refunding new application payments can cost between \$1,286 - \$12,856, whereas refunding renewed accounts would be between \$36,385 - \$109,156. The determining factor will be based on the percentage of refunded revenue.

VI. EXHIBITS

1. New Business License & Permit Application Information

2. Business License Tax Refund Request application
3. Resolution 20-053
4. Los Angeles County Safer at Home Order for Control of COVID-19
- 1.

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