

CITY ATTORNEY'S IMPARTIAL ANALYSIS OF MEASURE Y
(BUSINESS LICENSE TAXES)

Measure Y will increase the City of Artesia's business license tax for service, retail, wholesale, professional, contracting and manufacturing businesses. Additionally, this Measure will update the City's business license tax ordinance ("BLT Ordinance") by removing obsolete business categories and adding new business categories. The BLT Ordinance is contained in the Artesia Municipal Code beginning at Section 3-1.101.

Service, retail, wholesale, professional and contracting businesses currently pay a business license tax based on their annual gross receipts. If this Measure is approved, such businesses will continue to pay the tax based on gross receipts but the rate of the tax will be increased. For example, a service business having annual gross receipts between \$200,000 and \$249,000 will pay \$350 in business license tax, which is approximately \$150 more than is paid under the existing BLT Ordinance.

Manufacturing businesses currently pay a business license tax based on their number of employees. If this Measure is approved, such businesses instead will pay the tax based on their annual gross receipts. For example, a manufacturing business having annual gross receipts between \$200,000 and \$299,000 will pay \$750 in business license tax.

Certain types of businesses and occupations pay a "flat rate" business license tax regardless of their annual gross receipts or number of employees. If this Measure is approved, such businesses will continue to pay the tax based on a flat rate schedule but the tax amounts for some of those businesses will increase.

This Measure will authorize the City Council to reduce the rate of the business license tax, and to increase the rate of the tax based on Consumer Price Index changes in the future without a vote of the people. This Measure will not permit the City Council to raise the rate of the tax beyond a Consumer Price Index change without additional voter approval.

Revenue generated by the business license tax has been, and will continue to be, deposited into the City's General Fund, which means that the money may be used by the City for general governmental purposes. If this Measure is adopted, the tax increase will take effect January 1, 2010, and will raise approximately \$500,000 in additional business license tax revenue to the City per fiscal year. The City estimates that additional revenue generated by this tax increase in the remaining portion of the current (2009-2010) fiscal year will be approximately 5% of the City's total estimated General Fund revenues and will offset approximately 25% of the anticipated reductions in other types of General Fund revenues for the current fiscal year.

A "Yes" vote on Measure Y is a vote in favor of amending the BLT Ordinance to increase the business license tax paid by certain businesses and to update the list of business categories. A "No" vote on Measure Y is a vote to maintain the BLT Ordinance as it now exists. This Measure will be adopted if it is approved by a majority of the voters voting on this Measure.

Kevin G. Ennis
City Attorney

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