

The City of Scotts Valley City Council has placed Measure X on the ballot to approve an ordinance modifying the existing business license tax on businesses in Scotts Valley from an employee based tax to a gross receipts tax. Under the existing ordinance, businesses pay \$50 per business and \$40 for each employee. These rates were implemented in 1992 and have not increased since. The proposed ordinance would modify the business tax rate as follows:

- The minimum tax shall be increased from \$90 to \$150
- for businesses with annual gross receipts less than or equal to \$500,000 shall pay between \$150 and \$250;
- for businesses with annual gross receipts above \$500,000 to \$1 million shall pay between \$250 and \$750;
- for businesses with annual gross receipts above \$1 million to \$5 million shall pay between \$750 and \$6,350;
- for businesses with annual gross receipts above \$5 million shall pay a minimum of \$6,350 and \$1.80 per \$1,000 in gross receipts above \$5 million; and
- for persons operating self-service storage facilities, the tax rate shall be \$5.00 per \$1,000 in gross receipts with a minimum of \$150.

The new business license tax if approved will be implemented over two years with the tax owed limited to 50% of the increase from the prior year. In the second year, the full rate would be effective for all businesses. By way of example, a business with gross receipts of \$1 million per year and 10 employees currently pays a business license tax of \$450 per year; if Measure X passes, that same business would pay a business license tax of \$600 in year 1 and \$750 per year thereafter.

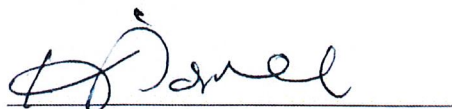
The taxable gross receipts cap is \$50 million which is adjusted annually by CPI beginning March 1, 2027. All revenues resulting from the business license tax are unrestricted revenues allocated to the City's general fund and thus can be used for any legitimate general governmental purpose including repairing potholes and streets, wildfire prevention programs and maintaining parks and playfields.

Because the use of tax revenue generated by the business license tax can be used for unrestricted general governmental purposes, it is classified as a "general tax."

A "Yes" vote is a vote in favor of the tax.

A "No" vote is a vote against the tax.

The ordinance will be approved if a majority of those voting on Measure X vote "yes."



Kirsten Powell, City Attorney