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Memorandum

TO: TONI J. TABER, CMC
City Clerk

FROM: RICHARD DOYLE
City Attorney

SUBJECT: IMPARTIAL ANALYSIS

DATE: August 22, 2016

Attached is the original Impartial Analysis signed by the City Attorney for the Business Tax Modernization Measure, Measure G, on the November 8, 2016 ballot. Please provide the City Attorney's Office with a date-stamped copy from the Registrar of Voters confirming their receipt of the Impartial Analysis.

Please call me if you have any questions at x51928.

RICHARD DOYLE
City Attorney

By: *Karin Murabito*
KARIN MURABITO
Senior Deputy City Attorney

CITY ATTORNEY'S IMPARTIAL ANALYSIS OF MEASURE G

The San José City Council has placed Measure G on the November 8, 2016 ballot, asking voters to adopt an ordinance revising San José's 1986 business tax. Currently, unless exempt, businesses pay an annual business tax based on the number of (1) employees; (2) units, lots, or square feet leased; or (3) water company meter connections. For most businesses, the annual tax is \$150 for up to 8 employees with an additional \$18 tax for every employee over 8, located in San José, capped at \$25,000 annually. For residential real estate and mobile home parks, the tax is based on the number of units or lots leased in San José and is capped at \$5,000 annually, and for commercial real estate the tax is based on the number of square feet leased in San José, capped at \$5,000 annually. Water companies pay a tax based on the number of meter connections in San José, capped at \$20,000 annually. The tax is not currently adjusted for inflation.

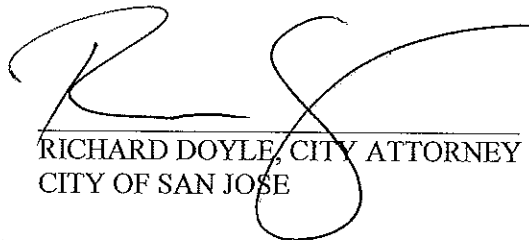
If approved by a majority of the voters, Measure G would enact an ordinance, effective on July 1, 2017, to (1) increase the minimum base tax from \$150 to \$195; (2) require payment of the minimum base tax by all businesses; (3) set graduated rates for businesses with more employees paying higher rates and residential and commercial landlords paying more per unit, lot, and square feet of leased space; (4) require water companies pay \$1 per San José meter connection; and (5) raise the annual caps on the maximum amount of tax payable to \$150,000. Where a business owes the tax based on both its number of employees and leased number of units, lots, or square feet, the business is required to pay the higher of the two calculations. The proposed ordinance also provides for annual adjustment for inflation based on a consumer price index beginning on July 1, 2018, subject to specified limits. The ordinance should be consulted for a description of each of the proposed rate increases.

The proposed ordinance maintains various exemptions including the exemptions for nonprofits and financial hardship for small business owners while adding an exemption for certain small business owners with limited household incomes. It also provides the option for online registration and payment of the tax.

If approved, the tax will continue until repealed by the voters or suspended in whole or in part by the City Council. The tax revenue will be placed in the City's general fund and may be used to fund essential services such as police, emergency response, and pothole repair.

A "yes" vote is a vote to increase rates and revise the business tax as set forth in the proposed ordinance.

A "no" vote is a vote to maintain the current tax rates.


RICHARD DOYLE, CITY ATTORNEY
CITY OF SAN JOSÉ

The above statement is an impartial analysis of Measure G. If you would like to read the full text of the measure, see <http://sanjoseca.gov/businessstax2016> or call 408-535-1260 and a copy will be sent at no cost to you.

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