

BUSINESS TAX

The City of San José (“City”) welcomes your business to our city. This brochure focuses on providing information regarding the business tax requirements, where to register, and available exemptions. Registered business owners will also benefit from a number of city services available to support a business in expanding or planning a new business within the City.

WHO IS EXPECTED TO PAY?

All individuals and entities conducting business in San José are required to pay the business tax, whether or not they have offices located in San José. Typical individuals and entities subject to business tax include, but are not limited to, commercial landlords, residential landlords, retail outlets, wholesalers, manufacturers, service companies, self-employed professionals, independent contractors, and home-based businesses. The tax also applies to part-time operations.

WHEN AM I EXPECTED TO PAY?

You must register and pay the business tax within 90 days of the commencement of business in San José.

HOW OFTEN AM I EXPECTED TO PAY?

The business tax must be paid annually. While the City sends renewal notices as a courtesy to the registered business contact, it is not a requirement. It is the responsibility of the registered business contact to be aware of the business tax due date and remit payment in a timely manner.

WHAT IF I DON’T PAY?

Failure to comply with the business tax ordinance is a misdemeanor violation. Furthermore, any new business that fails to pay the tax within 90 days of the start of business is liable for penalties and interest as outlined below. Finally, delinquent accounts may be assigned to a third party collection agency or pursued in-house for collections in small claims or superior court.

WHERE DO I GO TO REGISTER?

Online: <http://www.sanjoseca.gov/BusinessTax>

In-Person: City of San José City Hall
Customer Service Center, 1st Floor

WHAT ARE THE TAX RATES?

Currently, the base business tax rate is \$200.85. For most businesses, an incremental tax is owed based on the number of employees. The incremental tax for commercial and residential landlords is based on square footage or the number of rental units, respectively.

In November 2016, more than 65% of San José voters approved the Business Tax Modernization Measure. Business Tax Modernization enacted an ordinance, effective July 1, 2017, that: (1) broadened and increased the minimum base tax, (2) established progressive tax rates, (3) raised the annual cap on the maximum amount of tax, and (4) instituted an annual adjustment for inflation. Below are the business tax rates by category:

General Businesses

Employee Count	July 2018 – June 2019	Effective July 1, 2019
Base Tax	\$197.90	\$200.85
Inc. Tax: 1-2	\$0.00	\$0.00
Inc. Tax: 3-35	\$30.90	\$31.80
Inc. Tax: 36-100	\$41.20	\$42.40
Inc. Tax: 101-500	\$51.50	\$53.00
Inc. Tax: 501+	\$61.80	\$63.65
Cap	\$154,500.00	\$159,135.00

Rental of Residential Property

Number of Rental Units	July 2018 – June 2019	Effective July 1, 2019
Base Tax	\$197.90	\$200.85
Inc. Tax: 1-2	\$0.00	\$0.00
Inc. Tax: 3-35	\$10.30	\$10.60
Inc. Tax: 36-100	\$15.45	\$15.90
Inc. Tax: 101-500	\$20.60	\$21.20
Inc. Tax: 501 +	\$25.75	\$26.50
Cap	\$154,500.00	\$159,135.00

Rental of Non-Residential Property (Commercial)

Square Footage	July 2018 – June 2019	Effective July 1, 2019
Base Tax	\$197.90	\$200.85
Tax per Sq. Foot	\$0.02575	\$0.02652
Cap	\$154,500.00	\$159,135.00

Rental of Mobile Home Parks

Number of Lots	July 2018 – June 2019	Effective July 1, 2019
Base Tax	\$197.90	\$200.85
Flat Incremental tax	\$10.30	\$10.60
Cap	\$154,500.00	\$159,135.00

Water Companies

Number of Meters	July 2018 – June 2019	Effective July 1, 2019
Base Tax	\$197.90	\$200.85
Incremental tax (per connection)	\$1.03	\$1.06
Cap	\$154,500.00	\$159,135.00

STATE FEE AND IMPROVEMENT DISTRICT ASSESSMENTS

In addition to the business tax, the State of California requires the City to collect a mandatory fee of \$4 for American’s with Disabilities Act (ADA) accessibility compliance on all accounts. Per California State Government Code Section 4467(a), the fee is imposed on all business tax accounts, including account renewals, beginning January 1, 2013.

Furthermore, certain businesses within defined geographic business improvement districts are also responsible for annual assessments. Currently, the City administers the billing and collection processes for two districts: (1) Downtown Business Improvement District and (2) Japantown Business Improvement District.

BUSINESS TAX EXEMPTIONS

A business may apply for one of the following exemptions. Restrictions apply, so please visit our website for complete details.

1. Hardship: Low Revenue Generating Business
2. Hardship: Limited Household Income
3. Honorable Discharged Disabled Veteran
4. Charitable Organizations
5. Peddling of Goods by Producer
6. Sale of Hand-Produced Goods
7. Senior Citizen – 65+ years of Age
8. Teachers
9. Family Day Care and Family Caregiver

FINANCIAL HARDSHIP EXEMPTION

Low revenue generating small business

The financial hardship exemption for low revenue generating small businesses is available to small business owners who own and operate a small business, without other principals or employees, where the annual gross receipts are at or below two times (2x) the poverty level guidelines. The poverty level guideline is the income amount established by the U.S. Department of Health and Human Services (HHS) as the poverty guideline for a single person and is updated on an annual basis.

FINANCIAL HARDSHIP EXEMPTION

Limited household income of small business owner

An additional financial hardship exemption is available for small business owners with limited household incomes. A small business is exempt where the adjusted gross income of the small business owner and the small business owner's spouse or domestic partner, added together, do not exceed four times (4x) the annual poverty level established by the HHS. This exemption is based on household adjusted gross income, not business income.

To apply for an exemption, please visit our website at <http://www.sanjoseca.gov/BusinessTax>. Additional documentation may be required to determine eligibility and the City has the right to examine and audit all records, including state and federal income tax returns.

AUDIT AND RECORD RETENTION

The City may audit and examine all books and records, at any time, for up to three-years prior. Therefore, businesses should maintain adequate records to support the amounts submitted for taxing purposes.

BUSINESS TAX RENEWAL SCHEDULE

Each subsequent annual business tax payment is due and payable on the fifteenth day of the calendar month in which the business began. Should the tax remain unpaid by the due date, a 25% penalty of the total tax due, plus interest on the unpaid tax, is assessed. Should the tax remain unpaid for a period exceeding 30 days beyond the due date, an additional 25% penalty, plus interest on the unpaid tax and penalty, is assessed. Interest will continue to accrue monthly on the unpaid tax and penalties until the outstanding balance is paid in full. The current interest rate is 1.5% per month, as established by resolution of the City Council, and subject to change.

OUT OF TOWN BUSINESS

If you conduct business in San José, but your business is not physically located in San José, you may be entitled to an apportioned business tax rate. The business tax is pro-rated according to the number of days you or your employees conduct business activities in San José. Below are the pro-rated percentages:

- 6-29 days rate: multiply the tax owed by 25%
- 30-89 days rate: multiply the tax owed by 37.5%
- 90-119 days rate: multiply the tax owed by 50%
- 120+ days rate: no pro-ration

TAX CERTIFICATES NOT TRANSFERABLE

Business Tax Certificates are not transferable or assignable to any other person or business, nor shall any tax paid by any person be applied to the payment of any tax due from any other person or business. When purchasing a business, new owners must register and pay the Business Tax.



BUSINESS TAX PROGRAM

**Finance Department
Revenue Management
200 East Santa Clara Street
San José, CA 95113-1905
(408) 535-7055**

<http://www.sanjoseca.gov/BusinessTax>

Disclaimer: The information contained in this pamphlet is provided for general information purposes only. Any errors or omissions shall not be legally binding and information contained may not reflect all legal requirements which may apply to your business. Restrictions and exclusions may apply.

Updated 10/1/2019

Para obtener la traducción, por favor llame al Servicio al Cliente de la Ciudad al (408) 535-3500.

Để được trợ giúp về dịch thuật ngôn ngữ, xin vui lòng gọi cho Dịch Vụ Khách Hàng của Thành Phố (408) 535-3500.