

## **ORDINANCE – MANUFACTURING BUSINESS LICENSE TAX MEASURE “T”**

### **CITY OF RICHMOND**

Shall the City of Richmond adopt an ordinance to (1) levy a new tax on manufacturing businesses equal to  $\frac{1}{4}$  of 1% of value of the raw materials used in the business's manufacturing process per year, which would be the tax amount paid by a manufacturing business if that amount is more than the business would otherwise pay under the City's current general business license law; (2) standardize the time period for business licenses so that all business licenses are valid for the calendar year; and (3) require annual audits of the taxes collected under the Richmond Municipal Code?

### **CITY ATTORNEY'S OFFICE IMPARTIAL ANALYSIS OF MEASURE “T”**

The City of Richmond currently requires businesses in the City to obtain a business license and pay a business license fee, which is a tax for general revenues. The amount of this tax is primarily based on the number of persons employed by the business.

Under this measure, manufacturing businesses would be taxed under a new formula. Manufacturing businesses would pay the greater of (1) the tax that would be paid by other general businesses or (2) a flat fee of one fourth of one percent (0.250%) of the value of the raw materials used in the manufacturing process. Only raw materials actually used in the manufacturing process are counted for purposes of calculating the tax. Any materials merely owned, stored in inventory, warehoused or transported are not included in the calculation. The calculation for each tax year would be based on the total value of materials used in the prior year. The measure contains definitions of manufacturing, manufacturing materials and a method of valuation in order to implement this new approach.

This measure, if approved, would result in a uniform business license term. Currently business licenses run a 12 month period from the date the license is issued. This measure would set the term for all business licenses to January 1 through December 31 and provides a mechanism for conforming current business licenses to the new term. In addition, the measure provides that that the business license fee is not a property tax, and requires annual audits of the taxes collected under the Richmond Municipal by the Audit Committee of the Richmond City Council.

The City estimates this Measure will generate about \$26,462,500 in new revenue beginning in 2009, of which about \$26,462,500 will come from manufacturing businesses.