

# Employer-Based Revenue Measure

Potential Restructuring of the Business  
License Tax



**CITY OF  
CUPERTINO**

July 31, 2018

# Background

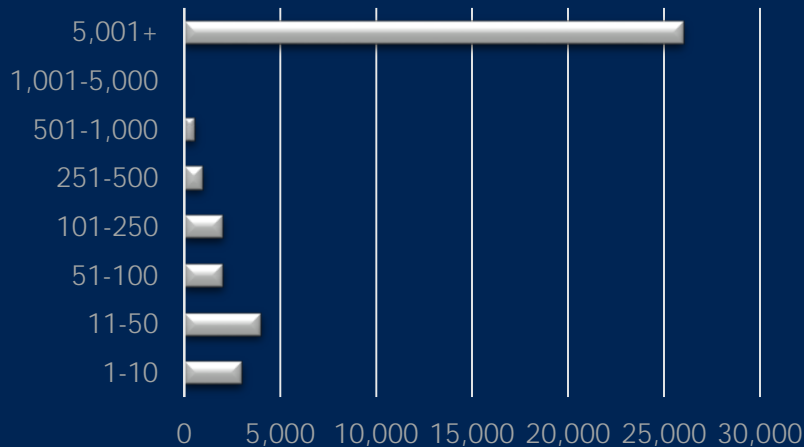
- *March 6: 2018-19 Work Program adoption*
- *May 23-25: voter poll*
- *June 5: study session*
- *June 19: study session – business models*
- *July 3: study session – sample ordinance & reso*
- *July 16-24: ballot language poll*

# Initial Poll Summary

- 74% believe businesses should help pay for transportation infrastructure used by their employees
- 71% support increasing the BLT
- 63% support increase for general services
- 69% support for specific purposes

# Few Medium to Large Businesses

Estimated Employees  
by Business Size



- One business employs 2/3 of Cupertino workers
- About 90% of employers have less than 10 employees

# Model 1: per EE rate up to \$325

Model 1: Per Employee Rates Up to \$325							
Employee Range	# of Businesses	% of Businesses in Tier	Estimated # Employees	Base Rate	Employee Rate	Total BL Tax	Effective Tax Rate
1-9	3,128	89.4%	3,400	\$150	\$ -	\$ 469,200	
10-49	300	8.6%	4,000	\$250	\$ -	\$ 75,000	
50-99	40	1.1%	2,400	\$500	\$ -	\$ 20,000	
100-249	25	0.7%	3,300	\$500	\$ 50	\$ 53,750	\$ 16
250-499	5	0.1%	1,300	\$500	\$ 100	\$ 45,250	\$ 35
500-999	1	0.0%	600	\$500	\$ 175	\$ 50,525	\$ 84
1,000-4,999		0.0%		\$500	\$ 250	\$ -	
5,000+	1	0.0%	24,000	\$500	\$ 325	\$ 7,295,250	\$ 304
Total	3,500	100.0%	39,000			\$ 8,008,975	

# Model 2: per EE rate up to \$425

Model 2: Per Employee Rates Up to \$425							
Employee Range	# of Businesses	% of Businesses in Tier	Estimated # Employees	Base Rate	Employee Rate	Total BL Tax	Effective Tax Rate
1-9	3,128	89.4%	3,400	\$150	\$ -	\$ 469,200	
10-49	300	8.6%	4,000	\$500	\$ -	\$ 150,000	
50-99	40	1.1%	2,400	\$500	\$ -	\$ 20,000	
100-249	25	0.7%	3,300	\$500	\$ 50	\$ 53,750	\$ 16
250-499	5	0.1%	1,300	\$500	\$ 100	\$ 45,250	\$ 35
500-999	1	0.0%	600	\$500	\$ 200	\$ 53,050	\$ 88
1,000-4,999		0.0%		\$500	\$ 300	\$ -	
5,000+	1	0.0%	24,000	\$500	\$ 425	\$ 9,407,775	\$ 392
Total	3,500	100.0%	39,000			\$10,199,025	



# Potential Projects

- Transportation improvements
- Transit infrastructure
- Leverage revenue and partner on regional projects

# Outreach

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## PROPOSED BUSINESS LICENSE TAX MEASURE

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### Background

The Cupertino City Council is considering placing a measure on the November 2018 ballot to restructure the City of Cupertino's business license tax. The goal would be to generate \$10 million annually to fund transportation projects to improve the City's transportation infrastructure and alleviate local traffic congestion.

Most businesses in Cupertino pay a basic business license fee of \$144 a year plus a rate based on square footage occupancy.

### RESOURCES

June 5, 2018 Council Study Session

- [Staff Report - 6.5.18 Meeting](#)
- [Staff Presentation - 6.5.18 Meeting](#)
- [2018 Cupertino Business License Tax Rates](#)
- [Voter Poll](#)
- [Voter Poll Results](#)
- [2018 Election Timetable](#)

June 18, 2018 Council

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134 Business License Tax Measure

## Business License Tax Measure



# Business Outreach

- Targeted outreach to 30 businesses that would pay the per-employee tax
  - One-on-one meetings
- 2 Business Forums
- Chamber of Commerce Legislative Action Committee
- City business newsletters (Biz Buzz)

# Businesses...

- Agree that traffic is an issue and that they need to be part of the solution
- Seek more time to engage with the City on solutions
- Want to identify specific projects (spending plan)
- Would like to explore alternative funding options

# Ballot Language Poll

- 50-54% support for the proposed ballot measure (up to \$425 per-EE)
- Voters care most about a “well designed spending plan” and “long-term economic growth”

# Recommendation

- Defer measure to 2020
- Engage with stakeholders to create develop a spending and funding plan by December 2019