

RESOLUTION No. 36473 AS AMENDED

Adopt the recommendation to change the City Business License Law to encourage growth of small businesses, reduce tax burden inequities between large and small businesses, better tie City services provided to taxes received and preserve the financial health of the City (Resolution)

WHEREAS, the foundation of a strong, sustainable Portland economy is the family-wage job.

WHEREAS, job creation and wage rates in Portland grow at a slower rate than those in the region as a whole.

WHEREAS, Portland's economic success depends on creating dynamic new businesses, growing our small and local businesses into regional, national and global competitors, and supporting the traded-sector firms already here. But Portland's smaller, locally-owned businesses need help now.

WHEREAS, over 94% of all firms in Multnomah County employ 50 people or less. Of that group of businesses, over 13,000—more than 50%—employ less than five employees.

WHEREAS, if only a third of Portland's smaller businesses with annual gross receipts less than \$200,000 added a single job, 2570 more Portlanders could be put to work.

WHEREAS, Portland can help boost job creation among smaller, locally-owned businesses by reducing their city business fee burden, known as the Business License Fee (BLF).

WHEREAS, savings generated from business license fee reductions owed by Portland's new and small businesses can be used to expand operations and hire new employees.

WHEREAS, currently, with some exemptions and exceptions, the City of Portland imposes a BLF of 2.2% on the net profits from the sale of goods or services within Portland.

WHEREAS, the City of Portland receives about \$54 million annually from BLF revenues and since 2002, these revenues have increased 58%,

WHEREAS, it is fair and rational to have those that earn more pay more in taxes and to have those that benefit more from City services pay more in City taxes.

WHEREAS, in TY 2004, 2,658 firms with gross receipts over \$1 million paid only \$100 in BLF charges, including 920 firms that have gross receipts of more than \$20 million.

WHEREAS, the City seeks to address inequities within the current BLF structure by instituting a progressive tiered minimum BLF based on the number of Portland employees, the annual gross receipts in Portland, or a combination of both.

WHEREAS, Exhibit A attached hereto is a copy of a PowerPoint presentation that more fully details how the City can address the business license tax inequities, along with describing some background information relating to the Business License Law.

WHEREAS, increasing the owner's compensation deduction to \$80,000 and increasing the gross receipts exemption to \$50,000 will create a reduction in license fees owed to an

estimated 13,526 BLF-paying businesses, 52% of which are sole proprietors and 31% of which have annual gross receipts of \$200,000 or less.

WHEREAS, the City of Portland through the Portland Development Commission has a variety of programs to assist Portland businesses using tax increment funds. But these programs miss thousands of businesses located in the 134 square miles outside the Urban Renewal Districts—85% of the city. The City needs to provide assistance to businesses outside the Urban Renewal Districts as well as those inside the Districts.

NOW, THEREFORE, BE IT RESOLVED that the Portland City Council commit \$3 million of the “Available Resources” identified as “above Current Appropriation Level” for FY 2007-08 on Page 1 in the October 23, 2006 Financial Forecast Update (see exhibit B) to be updated December 13, 2006 to pay for the:

- a. The cost to increase the BLF Gross Receipts Exemption from \$25,000 to \$50,000.
- b. The cost to increase the BLF Owner’s Compensation Deduction from \$60,000 to \$80,000.

BE IT FURTHER RESOLVED that the City of Portland will institute a progressive BLF minimum tax increase based on the number of Portland employees a business has and/or the gross receipts earned by a business within the City of Portland. In FY 2006-07, the Bureau of Revenue is directed to collect employee and gross receipts data for each BLF account holder. The Portland City Council will institute a progressive BLF minimum tax increase no earlier than tax year 2008. The revenue derived from instituting the progressive BLF minimum tax will be used to pay for the costs of additional increases to the BLF Owner’s Compensation Deduction.

BE IT FURTHER RESOLVED that the Portland City Council intends to increase the BLF Owner’s Compensation Deduction to \$125,000 within five years.

BE IT FURTHER RESOLVED that fee payers will be notified of the changes to the rate structure will be notified in their tax bills for FY 2006-07.

BE IT FURTHER RESOLVED that it is the Council’s intent to address the venture capital issue and instruct staff to report back with a proposal within 60 days including the economic impact of such a proposal.

Adopted by the Council: JANUARY 18 , 2007

Commissioner Sam Adams
Commissioner Dan Saltzman
Commissioner Erik Sten
Mayor Tom Potter
Prepared by: Warren Jimenez/SEO

GARY BLACKMER
Auditor of the City of Portland
By /s/Susan Parsons
Deputy

January 10, 2007

BACKING SHEET INFORMATION

AGENDA NO. 64-2007

ORDINANCE/RESOLUTION/COUNCIL DOCUMENT NO. 36473 AS AMENDED

COMMISSIONERS VOTED AS FOLLOWS:		
	YEAS	NAYS
ADAMS	X	
LEONARD	X	
SALTZMAN	X	
STEN	X	
POTTER	X	