

## **RESOLUTION No.**

Recommend that the City of Portland's Business License Law be changed in a manner that encourages the growth of small businesses, reduces the tax burden inequities found between many large and small businesses, and better ties City services provided to City taxes received, while at the same time preserving the City's financial health.

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

WHEREAS, Portland businesses are not fleeing the City, but job creation and wage rates in Portland lag behind 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. 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 government 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. Since 2002, these revenues have increased 58%, demonstrating the city bureaucracy's ability to afford a tax cut.

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 these inequities 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, many City business leaders are supportive of changes to the BLF to make taxes more fair, including John Tapogna, Managing Director, ECONorthwest (a Portland-based economic consulting firm), who stated: "[Changing the owner's compensation and gross receipts exemption while instituting a progressive minimum tax] better connects City services received and taxes paid and by doing so strengthen taxpayer equity. The changes should also make Portland more attractive to small, closely held, profitable businesses."; Dave Lister, Data Integrated Concepts Incorporated, who stated, "[This] will not only make the city's business license fee more competitive with surrounding jurisdictions, but will also instill fairness to help retain the non-polluting, creative and professional service firms which have been carrying a disproportionate burden under the current BLF,"; and Ken Turner, General Manager of Eastport Plaza and former President of the Alliance of Portland Neighborhood Business Associations, who stated, "[This] reflects the different interests of the business community while providing an incentive for job creation, retention and expansion."

WHEREAS, the City of Portland through the Portland Development Commission has a variety programs to assist Portland businesses using tax increment funds. But these programs miss thousands of businesses located in the 143 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 6, 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 accountholder. 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.

Adopted by the Council:  
Commissioner Sam Adams  
Commissioner Dan Saltzman  
Commissioner Erik Sten  
Shane Abma:jtl  
November 30, 2006

**Gary Blackmer**  
Auditor of the City of Portland  
By:  
Deputy