

South Tahoe to ask voters to raise business license tax

By Dan Tirabasso

In a 4-0 decision Tuesday, the South Lake Tahoe City Council decided to give residents another opportunity to vote on a tax revision aimed at increasing revenue for the city. (Councilwoman Angela Swanson was absent.)

The June 5 ballot measure would increase the tax on the city's largest companies by increasing the maximum business license tax from \$3,448 to \$20,000, while at the same time lowering the overall business license tax rate by 5 percent. It would mean a business would need gross revenues of \$20 million to hit the \$20,000 fee.

"... the business license tax will be decreased for approximately 99 percent of the businesses in the city, and increased for 1 percent of businesses," the staff report says.



Finance Director Christine Vuletich on Feb. 7 told the council the tax increase could generate between \$200,000 and \$270,000 a year. The money would go into the city's general fund, to be used as the city sees fit.

With the tax increase, it would mean just more than \$1 million for the city coffers.

At the meeting, Vuletich said the \$20,000 would be paid by three to five businesses, but not everyone agrees with that assessment.

According JoAnn Conner, president of the South Tahoe Chamber of Commerce, under this proposal five to 10 of the largest

businesses will feel the pinch of this nearly 600 percent increase.

“We do communicate with these businesses, and we do know some of them are incurring increased costs because of new mandates from the feds and the state. So they’re experiencing higher costs and lower profit margins, in some cases,” Conner, who was at the meeting, told *Lake Tahoe News*. “So, we are concerned that if you implement new taxes and licensing fees at this point, some of those businesses will end up either downsizing more or cutting employee hours.”

But the majority of the council believes the tax increase makes things more equitable. Councilman Tom Davis is not in favor of raising taxes, but does agree the voters should decide.

Vuletich said overall about 47 of the approximately 3,000 businesses in South Lake Tahoe will see their business license fee go up if the measure passes.

Voters narrowly shot down a similar proposal, Measure E, on Nov. 2, 2010. It would have increased the maximum business license tax to \$10,000, while reducing the overall business licensing tax rate by 10 percent.

Opponents of Measure E stated it was too tough on large businesses with low profit margins. They also said that by not eliminating the up to 3 percent annual increase that is tied to the Consumer Price Index, which is designed to keep pace with inflation, the 10 percent tax reduction would eventually be right back where it started, if not beyond.

The CPI adjustment would be eliminated under the new proposal.

This raises the concern that the already financially hobbled city may eventually have to endure a further reduction in revenue as inflation increases.

“It’s a concern, but not at this moment. We could always put it back on the ballot at a future time or just adjust the rates,” City Attorney Patrick Enright said.

If the measure passes with a simple majority, fees would go up July 1 – the annual date businesses must renew their licenses.

Current Rate	Proposed Rate
Schedule A: \$1.10	\$1.05
Schedule B: \$1.65	\$1.57
Schedule C: \$2.20	\$2.09
Schedule D: \$2.75	\$2.61
Schedule E: \$3.30	\$3.14

This is per \$1,000 of gross receipts.