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Oakland Councilmembers Bas and Fife Introduce Equitable Business Tax to Raise \$40M to Improve City Services and Support Smallest Businesses

November Ballot Measure Proposal Moves Forward to Address Homelessness, Keep Streets Clean, Provide Financial Relief to 20,000 Small Businesses, and Support Citywide COVID Economic Recovery

OAKLAND, CA – Today, Friday, March 18, 2022, Council President Nikki Fortunato Bas and Councilmember Carroll Fife [introduced legislation](#) to advance a progressive, equitable business tax proposal to modernize Oakland's 20-year-old, regressive business tax structure and raise \$40 million to protect and expand essential city services to address homelessness, fix and clean our streets, and provide tax relief and COVID recovery support to more than 20,000 struggling small businesses, many owned by women and people of color.

[The legislation](#) will be heard at the March 31, 2022 Rules & Legislation Committee, with discussion and feedback to inform next steps, towards a November 2022 ballot measure. The legislation updates the [July 14, 2020 unanimously adopted resolution](#) and incorporates [recommendations from the Equitable Business Tax Task Force](#).

Promoting Equity by Addressing Disproportionate Tax Burden on Oakland's Smallest Businesses

Unlike other Bay Area cities, Oakland's current flat-rate business tax requires small businesses to pay the same tax rate as large corporations earning tens of millions in gross receipts.

The status quo is highly inequitable, with Oakland's smallest businesses disproportionately bearing the burden of taxation. In fact, 93% of all Oakland businesses earn less than \$1 million in gross receipts annually. However, while their combined revenue comprises only 18% of taxable gross receipts citywide, together they paid double their share – 34% – of all business taxes in FY 2019-2020. This inequity is further demonstrated by the fact that the remaining 7% of businesses in Oakland – those earning more than \$1 million in annual gross receipts – comprise 82% of gross receipts citywide, yet paid far less than their share, only 66% of total business taxes.

Councilmembers Bas and Fife's progressive business tax proposal would increase fairness and equity by updating the tax to a tiered-rate structure, where smaller businesses pay less taxes, while larger businesses – especially the largest multi-million dollar corporations – pay more. The proposal would not increase taxes paid by homeowners and renters.

Key features of the proposal include:

- **Tax Relief for Small Businesses:** Over 20,000 small businesses will receive a tax cut. This includes for all retailers, restaurants, grocers, wholesalers, business and personal service firms, hotels, motels and professional/semi-professional businesses with up to \$2.5 million in gross receipts and all manufacturers with up to \$1 million in gross receipts.
- **Progressive, Tiered Structure:** As a business owner's gross receipts increase, the rate they pay on that revenue increases. While 97% of businesses will receive a tax cut or pay rates similar to what they pay now, the top 3% of businesses in Oakland will be asked to contribute more while keeping our city regionally competitive. The highest tax rates will only apply to businesses with \$100 million or more in annual gross receipts and administrative headquarters of companies with over \$1 billion in total annual revenues.

Stakeholder Engagement and Blue Ribbon Task Force

Updating Oakland's business tax has been discussed and debated significantly since 2020. The authors of the 2020 legislation (Councilmembers Bas, Thao and Kalb) engaged:

- the ethnic Chambers of Commerce, including the African American, Chinatown, Latino Chamber, and Vietnamese Chambers;
- Oakland's Business Improvement Districts and Associations, local merchant associations, and individual businesses;
- coalitions of businesses and entrepreneurs such as the Oakland Indie Alliance, Metropolitan Chamber of Commerce, and Jobs and Housing Coalition;
- and the Refund Coalition, a coalition of labor and community organizations that advocate around the City budget; as well as Oakland's Budget Advisory Committee.

In January 2021, City Council established the Blue Ribbon Equitable Business Tax Task Force to engage in a thorough process of analysis and stakeholder engagement to develop comprehensive recommendations for a modernized, progressive business tax. The 11-member Task Force met 16 times from April to October 2021 and held over 20 hours of public meetings and discussion.

"While thousands of Oaklanders struggle to make ends meet and our public services grapple for resources and to fill staff vacancies, the wealthiest corporations in our city continue to profit," said **Council President Nikki Fortunato Bas**. "Our proposal invites the largest corporations to make deeper investments to help rebuild and strengthen our city. It will create a more fair tax structure, raising \$40 million for homelessness services and housing, street and sidewalk maintenance, trash collection, small business assistance, fire safety, and community safety."

"Residents and business owners alike all want to see better living conditions in Oakland," said **District 3 Councilmember Carroll Fife**. "The calls for city service improvements are universal,

regardless of race, class, and income - but when it comes to equitable tax responsibility, universality ends. The flat tax structure in place today is outdated and requires more from women, BIPOC and small businesses operators who shoulder the weight of this financial inequity while big businesses avoid accountability to our community. Local legislators have a responsibility to make it fair, and this ordinance is finally moving us in the right direction.”

“Oakland’s small business and entrepreneur community has overwhelmingly expressed a shared desire for more responsive and impactful city services, such as by keeping our streets and sidewalks clean and well-maintained, and our vulnerable neighbors housed and stable,” said **Ari Takata-Vasquez**, Executive Director of the Oakland Indie Alliance and Chair of the Equitable Business Tax Task Force. “The small business community eagerly supports this business tax reform, which would move us towards a vibrant, thriving city where every storefront and street provides a high quality environment for workers, customers, and residents alike.”

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