



CITY OF DUNWOODY

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MEMORANDUM

To: Mayor and City Council
From: Chris Pike, Finance Director
Date: November 23, 2009
Subject: Resolution to Adopt Occupation and Business Tax Rates

ITEM DESCRIPTION

To adopt rates and fees related to the occupation tax program of the City

BACKGROUND

On October 19, 2009, Council instructed staff to evaluate options to move to a flat gross receipts tax rate for all businesses. Council's instructions including staff preparing a schedule that showed the various tax collections at differing rates. We currently have six tax classes; each class with a different gross receipts charge and different per employee charge. Special rules apply to practitioners (such as doctors, lawyers, CPA's, etc), banks, and insurance companies. These rates will not apply to these exceptions, but rather will focus on the "normal" procedures for most businesses.

ISSUES

The resolution attached does not contain a recommendation regarding the setting of the rate. Staff is unclear regarding the full consensus of the Council and therefore is placing two options for consideration in this memorandum.

One option reflects some discussion at last week's workshop to adopt a flat rate equal to the rate currently set for the majority of taxpayers (class 6 rate.) This amounts to a gross receipts tax of \$0.00078 for each dollar above the \$20,000 base. The rate of \$14 per employee would also apply. Under the new rate, 60% of the businesses will have no change in their tax rate. The remaining 40% of businesses will be moved into the new flat tax rate. This option would generate nearly \$300,000 in revenue above and beyond what is expected to be collected this Fiscal Year.

Another option was discussed by Council to attempt to set the rate at a level which would result in a revenue neutral collection by the City. This would be accomplished by calculating a rate that would generate no additional revenue than was collected in FY 2009. Finance has calculated a rate of \$.00064 for each dollar above the \$20,000 base and a rate of \$13 per employee. This option takes into consideration the following:

1. Addition of at least 200 new businesses
2. Reduction of approximately 100 current businesses
3. A 10% reduction in overall revenue due to refunds (due to businesses whose revenue fell short of FY 2009 predictions.)
4. Average business license cost of \$400.

The FY 2010 budget estimate is \$2,000,000. With the assumptions provided above, staff predicts that the rate of \$.00064 will generate sufficient revenue to equal FY 2009 revenue and match FY 2010 budget projections. However, it is difficult to predict at this point how many new businesses will be identified in FY 2010, how many current businesses will either move or shut down operations in FY 2010 and how much revenue will be lost due to refund requests.

Also, Council is required under state law to hold a public hearing on the resolution and identify how the additional proceeds over the 2009 receipts will be used. There is no requirement on how the taxes are used, but it must be discussed and approved. Examples of the use of additional revenues can be cash reserves, capital projects or reallocation to cover other revenue shortages.

RECOMMENDED ACTIONS

It is respectfully requested that Council (1) approve a resolution adopting and approving a schedule of fees for business occupation taxes in the City of Dunwoody and (2) approve the purpose of the funds collected above the 2009 collected amounts.