

Business License Ordinance Update

September 2021



BUSINESS LICENSE ORDINANCE UPDATE



- Business License FAQ
- What is Changing and Why
- How do we Comply?
- Existing Classes and Rates
- Proposed Classes and Rates
- Impact to City Businesses
- Economic Development Incentives
- Timeline and Next Steps

BUSINESS LICENSE FAQ

- **What is a Business License?**
 - It's an excise tax levied on the privilege of doing business within a City or County. Revenues make up about one quarter of the General Fund budget over the last 10 years.
- **Why is there a Business License Tax?**
 - It's a method for businesses to contribute funding for City services that benefit them but cannot be billed on an individual basis. (For example: Police, Fire, Public Works)
- **Why is the Business License Tax important to the City?**
 - Without a business license, the City's would need to increase property tax rates by 34.6 mills (over 40% increase) or reduce operating costs by 17%.
- **Who else charges a Business License Tax?**
 - Most South Carolina Cities and 20% of South Carolina Counties

WHAT IS CHANGING AND WHY?

- SC General Assembly passed the Business License Standardization Act in 2020
- Significant changes are:
 1. Statewide renewal date of April 30th (Greenville's has been in February)
 2. Standard definition of Gross Income
 3. Standardized Application (City previously accepted MASC application as well as our own)
 4. Standardized business classes based on Federal system (NAICS)
 5. Establishes State-run Online Renewal Portal (City can continue to use ours as well but must allow businesses to use the State portal)
 6. Standardized Appeals Process

WHAT DOES THE CITY NEED TO DO TO COMPLY?

- Repeal / Replace existing Business License Ordinance (Chapter 8, Article II) with MASC model ordinance
- Reclassify all businesses by NAICS Code and 2021 Standard Class Schedule
- “Rebalance” rate structure to prevent windfall or loss relative to 2020 revenue
- Notify businesses of new Business License class, rate and timeline changes
- Must be completed by December 31, 2021

Bottom Line: A new rate structure needs to be established to keep revenue at or below 2020 level while completely changing the nature of how Greenville has established rates in the past.

EXISTING CLASSES AND RATES

General Classifications - 15

1. Retail
2. Wholesale
3. Service
4. Hotels & Amusements
5. Professional
6. Restaurants & Bars
7. Finance Company
8. Contractor
9. Media
10. Railroad
11. Exhibitions
12. Commercial Property
13. High Technology Growth
14. Aircraft Distribution
15. Office Maintained

- Resident businesses differ from non-resident businesses (generally double)
- Fee charged on base amount (first \$2,000 revenue) then incremental charges per \$1,000 in additional revenue
- Current rate schedule has caps on certain categories

PROPOSED CLASSES AND RATES

General Classifications – 9

- 1-7 based on NAICS Codes
- 08 is for businesses that have specific mandatory exemptions or special treatment (contractors, railroads, amusements/arcades)
- 09 is for businesses that do not fit neatly in categories 1-7 or that have unique circumstances
- Resident businesses differ from non-resident businesses (generally double)
- Fee charged on base amount (first \$2,000 revenue) then incremental charges per \$1,000 in additional revenue
- Proposed rate schedule has declining scale based on high-grossing businesses

PROPOSED CLASSES AND RATES

| Class | Base Fee (First \$2,000 gross revenue) | Rate per \$1,000 additional gross revenue) |
|-----------------------------------|--|--|
| 1 | \$40 | \$1.60 |
| 2 | \$45 | \$1.65 |
| 3 | \$50 | \$1.70 |
| 4 | \$55 | \$1.75 |
| 5 | \$60 | \$1.80 |
| 6 | \$65 | \$1.85 |
| 7 | \$70 | \$1.90 |
| 8.10 Resident Contractor | \$60 | \$1.40 |
| 8.20* Railroad | \$2,000 | \$ - |
| 8.51* Amusements | \$ - | \$12.00 |
| 9.30 Auto Dealers | \$200 | \$0.95 |
| 9.71 Drinking Place | \$100 | \$2.50 |
| 9.72 Restaurant (serving alcohol) | \$75 | \$1.80 |
| 9.73 Late Night Restaurant | \$85 | \$2.35 |
| 9.80 Manufacturers | \$150 | \$0.75 |
| 9.91 Property Managers ** | \$75 | \$1.80 |

* Legislative Carve-Out

** Base is on first \$10k gross

Declining Scale:

\$0 - \$10m – 100%

\$10m - \$25m – 75%

\$25m - \$100m – 50%

\$100m+ – 25%

IMPACT TO CITY BUSINESSES

- **Number of Businesses with Reduced fees: 8,100**
 - 85% of the licensed business in the City
 - Average decrease of \$205 per business (Median decrease is \$95)
 - 60% of these businesses will pay at least \$100 less than they do now
- **Number of Businesses with Increased Fees: 1,400**
 - 15% of licensed businesses in the City.
 - Average increase of \$1,270 per business (Median increase is \$60)
 - About half will see an increase of less than \$50
 - Vast majority will see an increase of 10% or less

IMPACT TO CITY BUSINESSES (\$100k Gross Revenue)

| BUSINESS TYPE | OLD FEE | NEW FEE | CHANGE | SHARE OF BUSINESSES WITH DECREASED FEES |
|---|---------|---------|---------|---|
| Retailer | \$244 | \$197 | - \$47 | 99.8% |
| Professional (Attorney, Accountant) | \$331 | \$236 | - \$95 | 94.0% |
| Restaurant | \$307 | \$197 | - \$110 | 77.8% |
| Manufacturer | \$258 | \$224 | - \$34 | 51.5% |
| Auto Dealer | \$272 | \$293 | \$21 | 25.6% |

ECONOMIC DEVELOPMENT INCENTIVES PROPOSAL

Targeted Business License and Building Permit rebate grant program

- **Why is it needed?**
 - **The standardized model ordinance does not include some of the special provisions the City has established in the past to attract and retain businesses**
 - **Having a standalone ED ordinance allows for greater flexibility and provides a new tool for ED staff to promote**
 - **Allows Council/Staff to address specific Economic Development needs**
 - **Allows greater control of incentive payments and tie-in to ensure investment and job creation targets are achieved**

ECONOMIC DEVELOPMENT INCENTIVES PROPOSAL

Targeted Business License and Building Permit rebate grant program

- Which businesses are we focused on?
 - New Businesses – 5-year 100% Business License Rebate
 - Artists (CBD, West End, Village of West Greenville)
 - Retail (CBD, West End)
 - Manufacturing
 - Corporate Headquarters
 - Any Commercial Annexation
 - Existing Businesses – 50% rebate for next 5 years
 - Artists, Retailers, Manufacturers & Corporate Headquarters as described above

ECONOMIC DEVELOPMENT INCENTIVES PROPOSAL

Incentives for new job creation and capital investment (at or above County's median per capita wage*)

| NEW JOBS | CAPITAL INVESTMENTS | BUSINESS LICENSE REBATE | PERMIT FEE REBATE |
|----------|---------------------|-------------------------|-------------------|
| | | | |
| | | | |
| | | | |

Targeted Priority Investment Areas: Wade Hampton, Laurens, Pendleton, Pleasantburg, Haywood, Stone

| NEW JOBS | CAPITAL INVESTMENTS | BUSINESS LICENSE REBATE | PERMIT FEE REBATE |
|----------|---------------------|-------------------------|-------------------|
| 5 | \$250,000 | 100% (1 year) | 25% |
| 10 | \$500,000 | 100% (2 years) | 50% |
| 15 | \$750,000 | 100% (3 years) | 100% |

TIMELINE AND NEXT STEPS

- **Rewrite of Business License Ordinance to meet Act 176 requirements (in progress)**
 - If desired, write companion Economic Development Ordinance to offer Business License incentives as part of overall ED strategy
- **Target adoption of new ordinances by October 2021**
- **Allows for 30-60 days of public notice and communications before normal renewal deadline in January**