




Date: June 12, 2012

To: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

From: Councilwoman Gerrie Schipske, Fifth District 

Subject: **AGENDA ITEM: Business License Tax and Surcharge Relief for Independent Contractors**

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**BACKGROUND:** The City of Long Beach requires independent contractors, such as real estate agents, to obtain a business license. (Real estate brokers under which these agents work must also pay for a separate business license. Both real estate agents and brokers also generate the “real estate property transfer tax” which results in additional revenue to the City.)

Additionally, in 1991, the City Council enacted a 16% surcharge on business licenses for capital projects. This surcharge apparently has been folded into the amount of the business licenses (although it still appears on licenses as a separate charge), which has added to increase the amount of the tax.

The current economic market remains depressed, particularly in real estate – which is partially due to the mortgage crisis and the number of homes now “underwater” – making it extremely difficult for the independent contractor. There are a number of other types of independent contractors that are also struggling to stay in business as they deal with this difficult economy.

**CONCLUSION:** The City of Long Beach has a legitimate interest in promoting business in the city. Frequently, the city provides rebates of sales taxes or other financial incentives to keep businesses located here. A waiver of either the business license tax and/or a backing out of the 16% surcharge on independent contractors for at least the next fiscal year would provide some relief to these businesses and signal the city’s support.

**RECOMMENDATION:** By motion of the City Council, request the City Manager to report to the City Council within 90 days on the feasibility of waiving the business license tax and/or the 16% surcharge folded into business licenses for independent contractors for at least FY 2013.

**FISCAL IMPACT:** Unknown until the City Manager completes his report.