

Revenue Projection Models for Potential Restructuring of Business License Tax

General Assumptions:

1. There are 5,385 active business licenses in Mountain View (combine multiple locations).
2. About 3,661 businesses have self reported approximately 64,442 employees working in Mountain View as of 4/20/18.
3. There are 1,724 businesses with a business license not located in Mountain View.
4. For modeling purposes, we used the CAFR for the number of employees for the top ten employers.
5. Combined several businesses with different locations but with the same owner.
6. Non-profits, including qualified medical facilities, are exempt from the tax and therefore not included.
7. These are estimates, based on business license data as of 4/20/18, or the CAFR. Numbers are likely to shift once companies are being taxed on a per employee basis.
8. There is no cap on any of the models.

Definitions:

Model A - Progressive-Subcommittee Draft Model: employer pays for all employees, except the first 50, the per employee rate is at a flat \$50 from 51-500 employees, and at an incremental rate as the number of employees increases starting at 501 employees.

Model B - Progressive Model: employer pays for all employees, except the first 50, the per employee rate is at a flat \$50 from 51-500 employees, and at a flat \$200 for over 501 employees.

Model C - Progressive Model: employer pays for all employees, except the first employee, at each incremental rate as the number of employees increases.

Summary of Models

Model	Type	Base Rate	Flat Rate Employees	Largest Employer	Estimated Revenue
Model A1	Progressive-Subcommittee Draft Model \$5.0M	\$100, \$200, \$400	50	\$2.8M	\$5.0M
Model A2	Progressive-Subcommittee Draft Model \$10.0M	\$100, \$200, \$400	50	\$6.6M	\$10.0M
Model B	Progressive Model - Lenny Siegel	\$100, \$200, \$400	50	\$4.6M	\$7.8M
Model C	Progressive Model - Chris Clark	\$100	1	\$2.9M	\$5.8M

Note: Rate increases could be phased in, if desired.

Models with \$5M-\$10M Revenue Targets								
Cost to Employers for Potential Mountain View (MV) Revenue Models								
#Emp	Model A1	Model A1 - Average per Employee	Model A2	Model A2 - Average per Employee	Model B	Model B - Average per Employee	Model C	Model C - Average per Employee
1	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
2	\$200	\$100	\$200	\$100	\$200	\$100	\$125	\$63
26	\$400	\$15	\$400	\$15	\$400	\$15	\$750	\$29
51	\$450	\$9	\$450	\$9	\$450	\$9	\$2,025	\$40
101	\$2,950	\$29	\$2,950	\$29	\$2,950	\$29	\$5,775	\$57
251	\$10,450	\$42	\$10,450	\$42	\$10,450	\$42	\$17,025	\$68
501	\$22,975	\$46	\$23,100	\$46	\$23,100	\$46	\$35,800	\$71
1,001	\$60,500	\$60	\$123,150	\$123	\$123,100	\$123	\$85,825	\$86
5,001	\$460,525	\$92	\$1,123,200	\$225	\$923,100	\$185	\$585,825	\$117
Cap	None ⁽¹⁾		None ⁽¹⁾		None ⁽¹⁾		None ⁽¹⁾	
Total	\$5,013,225		\$10,018,650		\$7,770,050		\$5,792,325	

Notes:

1. Largest employer's cost is approximately \$2.8 million for Model A1, \$6.6 million for Model A2, \$4.6 million for Model B, and \$2.9 million for Model C.

Business License Revenue Model A1 - "Progressive-Subcommittee Draft Model"

								Range		% of Tax
		# Businesses	%	# Employees	%	Incremental Tax/Fee	Estimated Revenue	Low	High	Revenue
Base Rate 1	\$100									
Base Rate 2-25	\$200									
Base Rate 26-50	\$400									
Range										
1	Base Rate	1,990	54.36%	1,990	3.1%	0	\$199,000	\$100	\$100	4.0%
2-25	Base Rate	1,461	39.91%	9,381	14.6%	0	\$292,200	\$200	\$200	5.8%
26-50	Base Rate	95	2.59%	3,467	5.4%	0	\$38,000	\$400	\$400	0.8%
51-100	Base Rate + Employee Count	58	1.58%	4,366	6.8%	\$50	\$96,500	\$450	\$2,900	1.9%
101-250	Base Rate + Employee Count	39	1.07%	6,213	9.6%	\$50	\$228,750	\$2,950	\$10,400	4.6%
251-500	Base Rate + Employee Count	7	0.19%	2,476	3.8%	\$50	\$109,100	\$10,450	\$22,900	2.2%
501-1,000	Base Rate + Employee Count	4	0.11%	2,901	4.5%	\$75	\$159,175	\$22,975	\$60,400	3.2%
1,001-5,000	Base Rate + Employee Count	6	0.16%	10,324	16.0%	\$100	\$794,800	\$60,500	\$460,400	15.9%
5,001+	Base Rate + Employee Count	1	0.03%	23,324	36.2%	\$125	\$2,750,900	\$460,525	No Cap	54.9%
Cap	None ⁽¹⁾									
Out of Area ⁽²⁾	Base Rate	1,724				\$200	\$344,800	\$200	\$200	6.9%
Total MV Businesses & Employees		3,661	100%	64,442	100%		\$5,013,225			100%

1. Largest company would pay \$2.8M.

2. This is an estimate based on a flat fee. Staff recommends a new model for out of town businesses based on the number of employees and days worked in Mountain View, like San Jose (which will generate more revenue).

Business License Revenue Model A2 - "Progressive-Subcommittee Draft Model"

								Range		% of Tax
		# Businesses	%	# Employees	%	Incremental Tax/Fee	Estimated Revenue	Low	High	Revenue
Base Rate 1	\$100									
Base Rate 2-25	\$200									
Base Rate 26-50	\$400									
Range										
1	Base Rate	1,990	54.36%	1,990	3.1%	0	\$199,000	\$100	\$100	2.0%
2-25	Base Rate	1,461	39.91%	9,381	14.6%	0	\$292,200	\$200	\$200	2.9%
26-50	Base Rate	95	2.59%	3,467	5.4%	0	\$38,000	\$400	\$400	0.4%
51-100	Base Rate + Employee Count	58	1.58%	4,366	6.8%	\$50	\$96,500	\$450	\$2,900	1.0%
101-250	Base Rate + Employee Count	39	1.07%	6,213	9.6%	\$50	\$228,750	\$2,950	\$10,400	2.3%
251-500	Base Rate + Employee Count	7	0.19%	2,476	3.8%	\$50	\$109,100	\$10,450	\$22,900	1.1%
501-1,000	Base Rate + Employee Count	4	0.11%	2,901	4.5%	\$200	\$271,800	\$23,100	\$122,900	2.7%
1,001-5,000	Base Rate + Employee Count	6	0.16%	10,324	16.0%	\$250	\$1,818,400	\$123,150	\$1,122,900	18.2%
5,001+	Base Rate + Employee Count	1	0.03%	23,324	36.2%	\$300	\$6,620,100	\$1,123,200	No Cap	66.1%
Cap	None ⁽¹⁾									
Out of Area ⁽²⁾	Base Rate	1,724				\$200	\$344,800	\$200	\$200	3.4%
Total MV Businesses & Employees		3,661	100%	64,442	100%		\$10,018,650			100%

1. Largest company would pay \$6.6M.

2. This is an estimate based on a flat fee. Staff recommends a new model for out of town businesses based on the number of employees and days worked in Mountain View, like San Jose (which will generate more revenue).

Business License Revenue Model B - Lenny Siegel

								Range		
		# Businesses	%	# Employees	%	Incremental Tax/Fee	Estimated Revenue	Low	High	% of Tax Revenue
Base Rate 1	\$100									
Base Rate 2-25	\$200									
Base Rate 26-50	\$400									
Range										
1	Base Rate	1,990	54.36%	1,990	3.1%	0	\$199,000	\$100	\$100	2.6%
2-25	Base Rate	1,461	39.91%	9,381	14.6%	0	\$292,200	\$200	\$200	3.8%
26-50	Base Rate	95	2.59%	3,467	5.4%	0	\$38,000	\$400	\$400	0.5%
51-100	Base Rate + Employee Count	58	1.58%	4,366	6.8%	\$50	\$96,500	\$450	\$2,900	1.2%
101-250	Base Rate + Employee Count	39	1.07%	6,213	9.6%	\$50	\$228,750	\$2,950	\$10,400	2.9%
251-500	Base Rate + Employee Count	7	0.19%	2,476	3.8%	\$50	\$109,100	\$10,450	\$22,900	1.4%
501-1,000	Base Rate + Employee Count	4	0.11%	2,901	4.5%	\$200	\$271,800	\$23,100	\$122,900	3.5%
1,001-5,000	Base Rate + Employee Count	6	0.16%	10,324	16.0%	\$200	\$1,602,200	\$123,100	\$922,900	20.6%
5,001+	Base Rate + Employee Count	1	0.03%	23,324	36.2%	\$200	\$4,587,700	\$923,100	No Cap	59.0%
Cap	None ⁽¹⁾									
Out of Area ⁽²⁾	Base Rate	1,724				\$200	\$344,800	\$200	\$200	4.4%
Total MV Businesses & Employees		3,661	100%	64,442	100%		\$7,770,050			100%

1. Largest company would pay \$4.6M.

2. This is an estimate based on a flat fee. Staff recommends a new model for out of town businesses based on the number of employees and days worked in Mountain View, like San Jose (which will generate more revenue).

Business License Revenue Model C - Chris Clark

								Range		% of Tax
		# Businesses	%	# Employees	%	Incremental Tax/Fee	Estimated Revenue	Low	High	Revenue
Base Rate	\$100									
Range										
1	Base Rate	1,990	54.36%	1,990	3.1%	\$0	\$199,000	\$100	\$100	3.4%
2-25	Base Rate	1,461	39.91%	9,381	14.6%	\$25	\$344,100	\$125	\$700	5.9%
26-50	Base Rate	95	2.59%	3,467	5.4%	\$50	\$121,100	\$750	\$1,950	2.1%
51-100	Base Rate + Employee Count	58	1.58%	4,366	6.8%	\$75	\$223,050	\$2,025	\$5,700	3.9%
101-250	Base Rate + Employee Count	39	1.07%	6,213	9.6%	\$75	\$395,775	\$5,775	\$16,950	6.8%
251-500	Base Rate + Employee Count	7	0.19%	2,476	3.8%	\$75	\$173,100	\$17,025	\$35,700	3.0%
501-1,000	Base Rate + Employee Count	4	0.11%	2,901	4.5%	\$100	\$232,900	\$35,800	\$85,700	4.0%
1,001-5,000	Base Rate + Employee Count	6	0.16%	10,324	16.0%	\$125	\$1,054,700	\$85,825	\$585,700	18.2%
5,001+	Base Rate + Employee Count	1	0.03%	23,324	36.2%	\$125	\$2,876,200	\$585,825	No Cap	49.7%
Cap	None ⁽¹⁾									
Out of Area ⁽²⁾	Base Rate	1,724				\$100	\$172,400	\$100	\$100	3.0%
Total MV Businesses & Employees		3,661	100%	64,442	100%		\$5,792,325			100%

1. Largest company would pay \$2.9M.

2. This is an estimate based on a flat fee. Staff recommends a new model for out of town businesses based on the number of employees and days worked in Mountain View, like San Jose (which will generate more revenue).