



Business License Recommendations

May 15, 2018



Outline

Existing Conditions



Comparing Tuscaloosa to Other Cities



Business License Recommendations



Future Approach



Existing Conditions

- Economic environments around the world are evolving and Tuscaloosa's is being impacted like many others
- This reality prompted a thorough review of Tuscaloosa's business license structure to identify opportunities to update our license code
- Why do business licenses matter?
 - Second only to sales and use tax as a general fund revenue source
 - Sales tax is about half of our general fund; licenses are about 15%

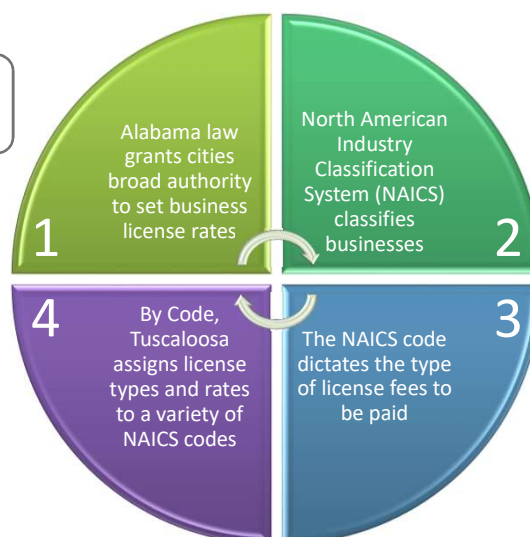


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Existing Conditions: Overview of Tuscaloosa's Structure

Though some industries are regulated and capped by the state



- Based on gross receipts
- Flat rate
- Based on square footage
- Based on number of employees

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Existing Conditions Quick Stats – 2017 License Year



**11,219
licenses issued**



**Approx. \$10 billion
taxable gross receipts**

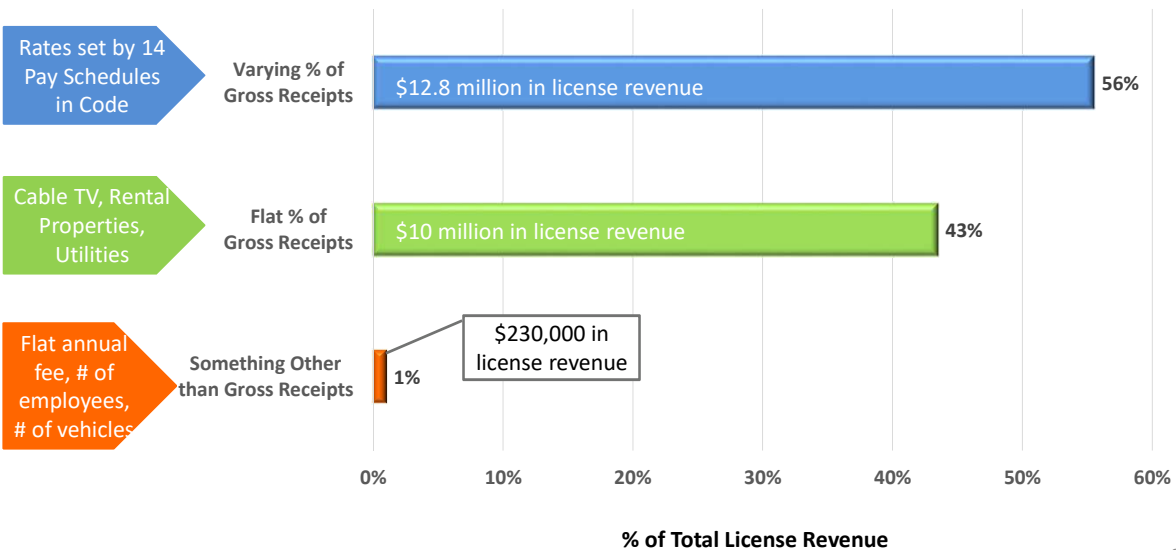


**Approx. \$23 million
license revenue**

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Existing Conditions How are Tuscaloosa's Licenses Calculated?



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Comparing Tuscaloosa to Other Cities

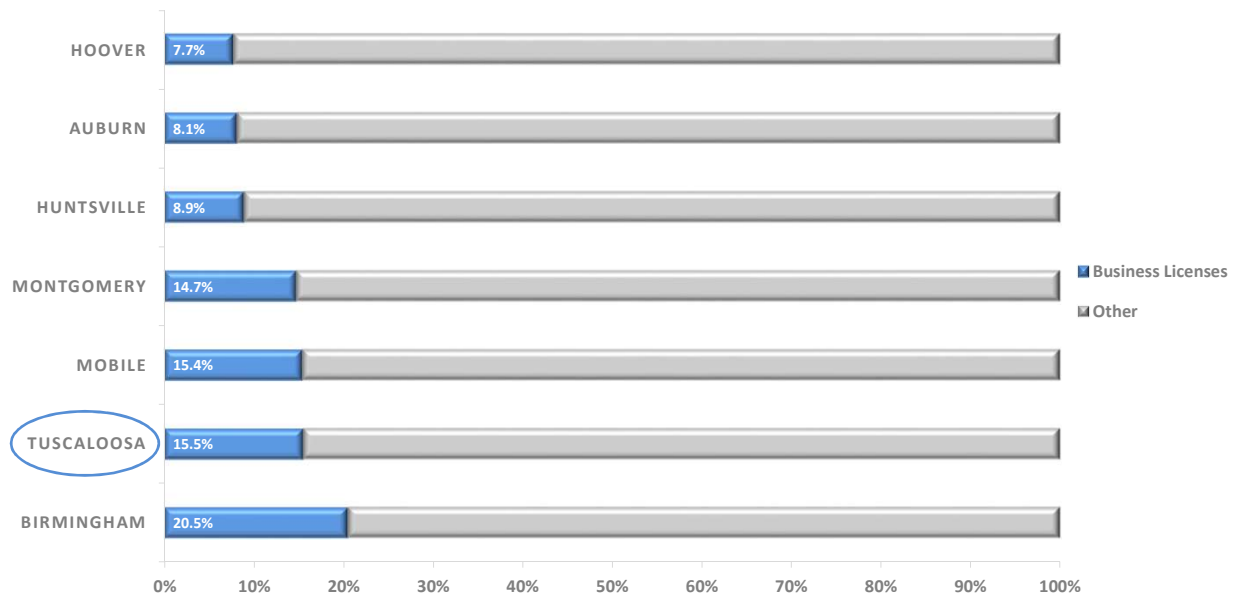
- **Goal:** identifying opportunities for enhancement in our license structure
- **Action:** compare Tuscaloosa's rates and structures to other major municipalities in Alabama



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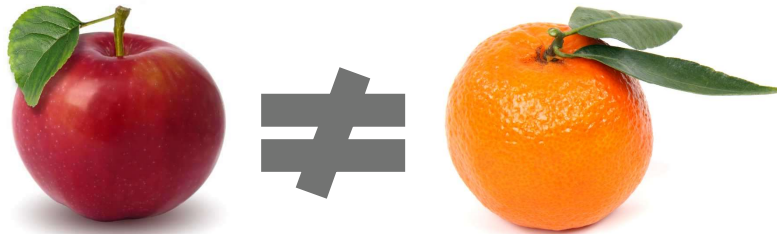
Business Licenses as % of Total General Fund Revenue





Comparing Tuscaloosa to Other Cities

- Rates and structures vary among these cities – this makes a precise comparison challenging

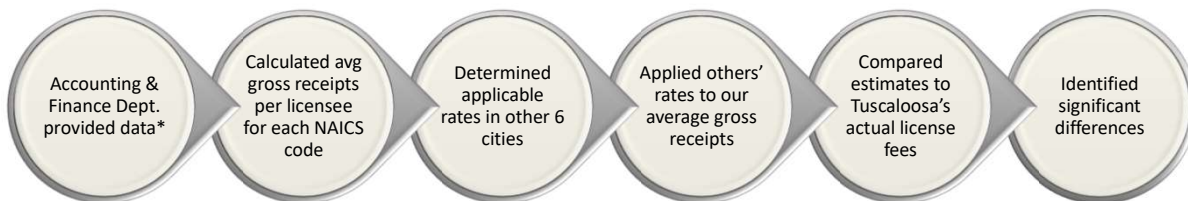


- We wanted to answer the question: If Tuscaloosa had _____'s license rates, what would our license fee revenue be?

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Comparing Tuscaloosa to Other Cities



* For the 2017 license year

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Recommendations

Developed combined recommendations

- Some from analysis on previous slide
- Some from Accounting & Finance Revenue division staff



Combined recommendations reviewed by OCA and Mayor Maddox



Recommendations were prioritized



Five proposed changes were selected for your consideration



Proposed effective date of any changes is 2019 license year

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Recommendation 1: Telecommunications

Recommendation applies to

Local telephone service
(NAICS code 517110)

Long-distance telephone service
(NAICS code 517111)

Why?

Only state-regulated industry where we're not currently at the maximum

Estimated Effect

Additional annual revenue estimated at \$2,400

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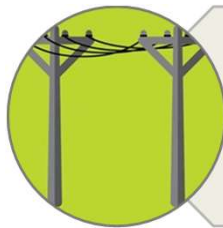


Recommendation 1: Telecommunications



Local Telephone Service

- Current Rate \$4,590/year
- Proposed Rate \$5,338/year



Long Distance Service

- Current Rate \$1,148/year
- Proposed Rate \$1,335/year

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Recommendation 2: Recreation

Recommendation applies to

Carnivals, Circuses
and Rodeos
(NAICS code 711190)

Why?

Tuscaloosa's current
rate is lower than at
least 4 other major
municipalities

Proposed rate is the
same that we
currently charge
Fairs

Estimated Effect

Additional annual
revenue estimated
at \$6,500

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Recommendation 2: Recreation

Carnivals,
Circuses
and
Rodeos

Current Rate

- \$250/week

Proposed Rate

- \$1,875/week
- Same as Fairs



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Recommendation 3: Financial

Recommendation applies to

Check Cashing and
Title Loan Business
(NAICS code 522390)

In 2017:

- 19 licensees
- Aggregate gross receipts > \$4.6 million

Why?

To enact a flat add-on
fee similar to an
existing structure we
already use

To align with the city's
State of Alabama
legislative agenda
supporting regulation
of this industry

Estimated Effect

Additional annual
revenue estimated at
\$9,500

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Recommendation 3: Financial

Check
Cashing and
Title Loan
Businesses

Current Rate

- \$75 minimum
- Plus 0.4% of gross receipts > \$10,000

Proposed Rate

- Same as above
- Plus a flat add-on fee of \$500/year



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Recommendation 4: Storage

Recommendation applies to

Warehousing
(NAICS code 493110)

Mini Storage and
Self-Storage
(NAICS code 531130)

In 2017:

- 46 licensees
- Aggregate gross receipts > \$27 million

Why?

Current rates are lower than at least 3 other municipalities in Alabama

Current pay schedule is generally used by retailers

Proposed pay schedule is used by service providers

Estimated Effect

Additional annual revenue estimated at \$25,000

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Recommendation 4: Storage

Warehousing
and
Mini Storage/
Self-Storage

Current Rates

- Pay Schedule D
- \$75 minimum
- Plus 0.125% of gross receipts > \$10,000

Proposed Rates

- Pay Schedule L
- \$75 minimum
- Plus 0.225% of all gross receipts



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Recommendation 5: Waste Collection

Recommendation applies to

Waste Collection
(NAICS code 562111)

Franchise Fee
(NAICS Code 562199)

Landfill and Recycling
(NAICS code 562212)

Why?

Clarify existing titles
and naming to match
official NAICS
information

Create two new NAICS
codes to improve
reporting

Estimated Effect

Additional annual
revenue estimated at
\$3,500

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Recommendation 5: Waste Collection Clarify Existing Titles

562111 Waste Collection License

- Pay Schedule O

Pay Schedule O

- \$100 minimum
- Plus 0.125% of gross receipts up to \$1 million and 0.075% of gross receipts > \$1 million

562199 Franchise Fee

- Pay Schedule

DELETE

Pay Schedule V

- \$75 minimum
- Plus 0.5% of gross receipts

562111 Solid Waste Collection & Recycling (non-hazardous)

- Keep on Pay Schedules O and V
- Add a footnote in Code: "These businesses are also required to remit Franchise Fees under Code Section 7-195 (found on Pay Schedule V)"



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Recommendation 5: Waste Collection Clarify Existing Titles

562212 Landfill & Recycling

- Pay Schedule O



562212 Solid Waste Landfill

- Keep on Pay Schedule O

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Recommendation 5: Waste Collection Create New NAICS Codes

Create two new NAICS codes



562112 Hazardous Waste Collection

- Assign to Pay Schedule L
- Examples: medical or radioactive waste



562119 Other Waste Collection

- Assign to Pay Schedule L
- Examples: non-hazardous liquids or brush/debris removal

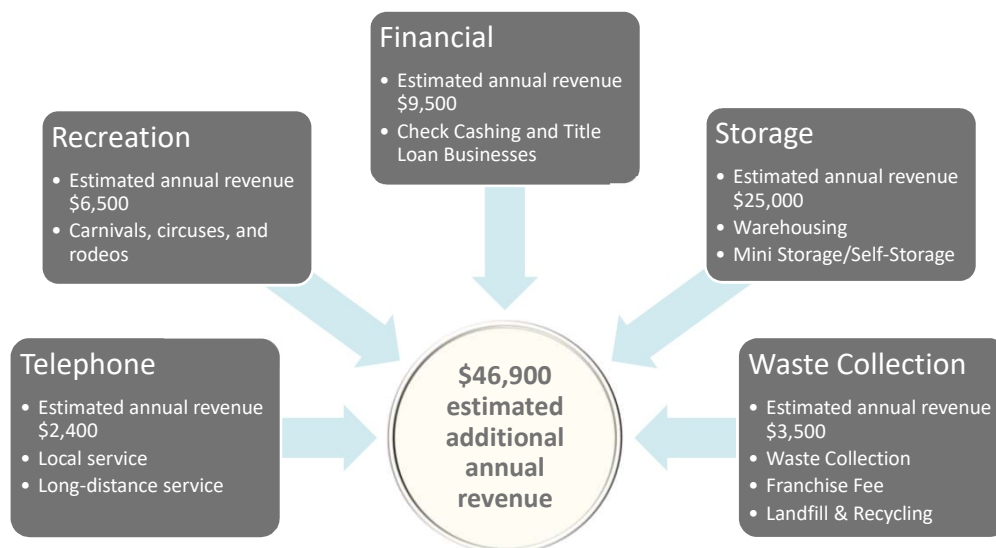
Pay Schedule L

- \$75 minimum
- Plus 0.225% of all gross receipts

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Summary of All Proposed Changes



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