

**IMPARTIAL ANALYSIS
BY THE CITY ATTORNEY
MEASURE M**

Businesses operating within the City of Sausalito must obtain a business license and pay a tax for that license. The purpose of the business license program is to raise revenue for use by the City for any legal municipal purpose. The City's current business license tax rates are set forth in full in Chapter 5.04 of the Sausalito Municipal Code. The tax rate and calculation methodology varies based on the type of business.

If Measure M is passed by the voters, the proposed ordinance would amend Chapter 5.04 to reduce the number of business categories from 22 to 4 and to impose a minimum tax of \$125/business. The proposed measure levies an annual Business License Tax (BLT) based on a percentage of gross receipts as follows:

- Retail, wholesale and manufacturing businesses and hotels and restaurants: \$1/thousand of gross receipts;
- Rental of commercial and residential properties: \$2/thousand of gross receipts; the rental of commercial property was previously exempt from the BLT;
- Service and professionals: \$3/thousand of gross receipts; and
- Contractors and subcontractors (which were previously exempt from BLT): \$2/thousand of gross receipts.

Measure M also adds bicycles and motorized cycles to the types of transportation units which must pay a flat rate per unit. Measure M also removes provisions that allow a business to pay one tax when operating from multiple locations and that provide an exemption for gross receipts taxed in another jurisdiction.

The City estimates that the changes could increase the amount of business taxes paid to the City by about \$896,750 per year.

The business license tax is a general tax the proceeds of which could be used for any legal municipal purpose. The tax would be ongoing. The Sausalito City Council placed the measure on the ballot by a unanimous vote. The California Constitution, Article XIII(C), Section 2(b) requires that an increase to or change in the method of calculating a general tax must be approved by a majority vote of the electorate.

Ordinance 1266 was approved for placement on the ballot as Measure M by the City Council of the City of Sausalito on July 31, 2018. If adopted, Measure M will continue in effect until repealed by the City Council or City voters.

A YES vote approves the measure.

A NO vote rejects the measure.

/s/ Mary Anne Wagner
City Attorney of Sausalito