

IMPARTIAL ANALYSIS OF MEASURE C

Prepared by Sacramento City Attorney

The Sacramento City Council has placed Measure C on the ballot. Measure C would amend the Sacramento City Code relating to business operations taxes.

All non-exempt businesses that operate in the City of Sacramento or do business with the City of Sacramento must pay a business operation tax (“BOT”).

The current BOT rates (except for cannabis businesses) were adopted in 1991. The annual tax obligation of each business depends on its business type. Here is Measure C’s effect on the five business-type rates:

Gross Receipts (applies to most businesses):

Current – if gross receipts exceed threshold of \$10,000, tax is \$30 plus \$0.0004 for each dollar over threshold; under that threshold, tax is \$30

Measure C – if gross receipts exceed threshold of \$100,000, tax is \$50 plus \$0.0004 for each dollar over threshold; under that threshold, tax is \$50

Professionals:

Current – for non-broker professional businesses, tax is \$75, \$150, or \$300, depending on the number of years licensed, plus \$30 per professional employee; real estate brokers, insurance brokers, and stockbrokers pay \$100 for principal broker plus \$30 per employee, agent, representative, or supervised independent contractor

Measure C – for non-broker professional businesses, tax would be \$684 plus \$68 per professional employee; for insurance brokers and stockbrokers, tax would be \$684 plus \$68 per employee, agent, representative, or supervised independent contractor; for real estate brokers, tax would be phased-in at \$150, \$200, and \$228, plus \$68 per employee, agent, representative, or supervised independent contractor

Contractors (businesses doing work that requires a city building permit):

No change in rates

Housing and shelter:

Current – persons renting residential real property pay a tax of \$25, plus \$1.75/rental unit over four; hotels/motels pay a tax of \$50, plus \$0.75/rental unit over four

Measure C – for persons renting residential real property, the rate would be \$114, plus \$2.85/rental unit above one; for hotels/motels/short-term rentals, the rate would be \$114, plus \$2.85/rental unit above one

Cannabis-related businesses:

Not affected by Measure C

Measure C would also change the maximum annual tax liability for businesses other than cannabis businesses. Currently, the maximum liability for all businesses other than cannabis businesses is \$5000. Measure C would change that maximum as follows:

- July 1, 2024, maximum = \$25,000
- July 1, 2025, maximum = \$50,000
- July 1, 2026, maximum = \$75,000
- July 1, 2027, maximum = \$100,000
- July 1, 2028, maximum = \$125,000

Additionally, all new rates and limits created by Measure C would be subject to annual cost-of-living adjustments. Adjustments to the gross receipts threshold and most flat rates start in 2025. For real estate brokers, the flat rate adjustments start in 2027. Adjustments to the maximum annual tax liability start in 2029.

If approved, the measure would be effective July 1, 2024.



A “yes” vote is in favor of amending the Sacramento City Code relating to the business operations tax. A “no” vote is against amending the code. A majority of “yes” votes is required to pass Measure C.

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