

ORDINANCE 2023-0023

Adopted by the Sacramento City Council

November 14, 2023

An Ordinance Amending Various Sections of, and Adding a Section to, Article IV of Chapter 3.08 of the Sacramento City Code, Relating to the Business Operations Tax

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1.

Section 3.08.170 of the Sacramento City Code is hereby amended to read as follows:

3.08.170 Gross receipts.

Every person not falling within the categories described in sections 3.08.180, 3.08.190, 3.08.200, and 3.08.205 shall pay an annual business operations tax as follows:

- A. Every person that has gross receipts of \$100,000 or less shall pay a flat tax of \$50 for each year.
- B. Every person that has gross receipts in excess of \$100,000 shall pay a flat tax of \$50, plus \$.0004 for each dollar of gross receipts in excess of \$100,000 for the reporting period.
- C. Maximum tax. The maximum annual tax liability for any person under this section is as set forth in section 3.08.255.
- D. Flat tax rate adjustment. The gross receipts threshold amount and the flat tax rates in this section shall be adjusted annually as provided in section 3.08.255.

SECTION 2.

Section 3.08.180 of the Sacramento City Code is hereby amended to read as follows:

3.08.180 Professionals.

- A. Professionals—General. Every person engaged in the profession of: accountant, architect, attorney, audiologist, bacteriologist, certified public accountant, engineer, dentist, mortician, optometrist, osteopath, physician, podiatrist, psychologist, surgeon, or veterinarian shall pay a flat annual business operations tax of \$684.

Nothing in this subsection shall be construed or deemed to apply to any person engaged in any of the professions enumerated in this subsection solely as the employee of any other person conducting, carrying on or managing such business, occupations or professions in the city, except, however, that each such employee who has a contractual right to participate in the income or profits of the business, or is a shareholder of a professional corporation organized pursuant to section 13400 et seq., of the California Corporations Code must pay the tax.

Every person who employs an individual who would be subject to a business operations tax under this section if the individual was not exempted from the payment of said tax by the preceding paragraph shall pay a flat annual business operations tax of \$68 for each such exempt individual in their employ.

- B. Professionals—Insurance Brokers; Stockbrokers. Every person engaged in the business insurance broker or stockbroker, whether full or part-time, shall pay a flat annual business operations tax of \$684 for the principal broker or broker of record plus a flat tax of \$68 for each employee, agent, representative, or independent contractor subject to supervision by a principal broker or broker of record who devotes time to soliciting or writing insurance policies, or working as a salesperson or floorperson.
- C. Professionals—Real Estate Brokers. Every person engaged in the business of real estate broker, whether full or part-time, shall pay a flat annual business operations tax as provided in subsection F for the principal broker or broker of record plus a flat tax of \$68 for each employee, agent, representative, or independent contractor subject to supervision by a principal broker or broker of record who devotes time to handling of rents, listing property, or collecting or selling property.
- D. Maximum tax. The maximum annual tax payable by any firm under provisions of this section is as set forth in section 3.08.255. “Firm” is defined as any professional corporation, partnership, or other business entity whose individual members share in the profits of the business entity.
- E. Revenue measure. Nothing contained in this chapter shall be construed as giving the city council, or any of the officers of the city in charge of administration of this chapter, any regulatory powers over any licensee who is engaged in the practice of a profession, trade, or calling and is one whose privilege to so engage in such profession, trade or calling is granted by the state or any of its agencies. As to such persons, and as indicated in section 3.08.020, this chapter shall be construed as existing for revenue purposes only.
- F. Flat tax rates and adjustments.
 - 1. The flat tax rates in subsections A and B, as well as the per-employee flat tax rate in subsection C, shall be adjusted annually as provided in section 3.08.255.

2. Real estate broker tax rates are as follows:
 - a. Effective July 1, 2024, the tax rate is \$150.
 - b. Effective July 1, 2025, the tax rate is \$200.
 - c. Effective July 1, 2026, the tax rate is \$228.
 - d. Effective each July 1 thereafter, the tax rate shall be adjusted annually as provided in section 3.08.255.

SECTION 3.

Section 3.08.190 of the Sacramento City Code is hereby amended to read as follows:

3.08.190 Contractors.

- A. Every person engaged in any type of business activity as a contractor which requires a city building permit shall pay a business operations tax at the time the building permit is issued at the rate of \$0.40 per \$1,000 for each \$1,000 or fraction thereof of the value used to determine the charge for the building permit.
- B. The maximum annual tax payable by any person under this section is as set forth in section 3.08.255. It shall be the responsibility of the contractor who has paid the maximum tax to establish at the time a building permit is issued that the maximum has been reached and that no additional tax is due.

SECTION 4.

Section 3.08.200 of the Sacramento City Code is hereby amended to read as follows:

3.08.200 Housing and shelter.

- A. Rental of residential real property. Except for short-term rentals as defined in section 17.228.104.D, every person engaging in the business of offering residential real property for rental shall pay a flat annual business operations tax of \$114 plus a flat tax of \$2.85 for each rental unit in excess of four units. Any person with fewer than four units is exempt from payment of the business operations tax.
- B. Hotels, motels, short-term rentals. Every person engaging in the business of renting out accommodations substantially on a transient occupancy basis, including short-term rentals as defined in section 17.228.104.D, shall pay a flat annual business operations tax of \$114 plus a flat tax of \$2.85 for each rental unit in excess of one unit per situs.

- C. Rental of nonresidential real property. Persons engaging in the business of offering nonresidential real property for lease or rental shall be taxed pursuant to section 3.08.170.
- D. Maximum tax. The maximum annual tax liability for any person under subsection A, and for any situs under subsection B, is as set forth in section 3.08.255.
- E. Flat tax rate adjustment. The flat tax rates in this section shall be adjusted annually as provided in section 3.08.255.

SECTION 5.

Section 3.08.240 of the Sacramento City Code is hereby amended to read as follows:

3.08.240 Penalties.

If a business operations tax owed under this chapter is not paid within 30 days of the date the tax is due and payable, a penalty shall be added to the unpaid amount. If the tax is still delinquent after an additional 30 days, an additional penalty shall be added to the unpaid amount. The amount of these penalties shall be as established by city council resolution.

SECTION 6.

Section 3.08.255 is hereby added to article IV of chapter 3.08 of the Sacramento City Code, to read as follows:

3.08.255 Maximum tax and adjustments.

- A. Maximum tax. The maximum annual tax liability under sections 3.08.170, 3.08.180, 3.08.190, and 3.08.200 is as follows:
 - 1. Effective July 1, 2024, the maximum annual tax liability is \$25,000.
 - 2. Effective July 1, 2025, the maximum annual tax liability is \$50,000.
 - 3. Effective July 1, 2026, the maximum annual tax liability is \$75,000.
 - 4. Effective July 1, 2027, the maximum annual tax liability is \$100,000.
 - 5. Effective July 1, 2028, the maximum annual tax liability is \$125,000.
 - 6. Effective each July 1 thereafter, the maximum annual tax liability shall be increased in proportion to the increase in the Bureau of Labor Statistics Consumer Price Index for All Urban Consumers, San Francisco/Oakland/San Jose area (1982—

1984=100) (or any successor measure) from January 1st through December 31st of the immediately preceding year.

- B. Gross receipts threshold and flat tax rate adjustments. Effective July 1, 2025 and each July 1 thereafter, the gross receipts threshold amount in section 3.08.170 and the flat tax rates set forth in sections 3.08.170, 3.08.180, and 3.08.200 shall be increased in proportion to the increase in the Bureau of Labor Statistics Consumer Price Index for All Urban Consumers, San Francisco/Oakland/San Jose area (1982—1984=100) (or any successor measure) from January 1st through December 31st of the immediately preceding year.

SECTION 7. Rate adjustments.

Notwithstanding any tax rate or maximum annual tax liability imposed by this ordinance, the city council may, in its discretion, at any time by resolution implement any lower tax rate or maximum annual tax liability it deems appropriate, and may by resolution increase such tax rate or maximum annual tax liability, not to exceed the tax rate or maximum annual tax liability established under this ordinance.

SECTION 8. Severability.

If any portion of this ordinance is for any reason held to be invalid or unenforceable by a court of competent jurisdiction, the remaining portions of this ordinance shall remain in effect. The people of the City of Sacramento hereby declare that they would have adopted each portion of this ordinance, notwithstanding the fact that any one or more portions of this ordinance is declared invalid or unenforceable and, to that end, the provisions of this ordinance are severable.

SECTION 9. Majority Approval; Effective Date.

This ordinance shall be effective only if approved by a majority of the voters voting on this ordinance and shall go into effect on July 1, 2024.


Adopted by the City of Sacramento City Council on November 14, 2023, by the following vote:

Ayes: Members Guerra, Jennings, Kaplan, Loloee, Maple, Talamantes, Valenzuela, Vang, and Mayor Steinberg

Noes: None

Abstain: None

Absent: None

Attest:  11/15/2023
Mindy Cuppy, City Clerk

The presence of an electronic signature certifies that the foregoing is a true and correct copy as approved by the Sacramento City Council.

Passed for Publication: Not applicable.

Published: Published in full pursuant to Sacramento City Charter, § 32(d).

Effective: July 1, 2024