

Questions from the Aug 8st, 2007 Property Tax Relief Task Force Meeting
August 15, 2007

(1)What would the small business exemptions look like under the model that incorporates a 1/3 real property tax cut and eliminates the business personal property tax? – Spreadsheet entitled Exemption for Smaller Businesses & Elimination BPPT

(2)Can we see a straw man – an example of how a Business Activity Tax works elsewhere? Bellevue seems to be a good point of comparison. Earlier I emailed the following pieces:

- (1) A brochure explaining how the B&O tax works in Bellevue
- (2) A tax return for the Bellevue B&O tax
- (3) Chapter 4.09 (22 pages) of the Bellevue WA city code that establish its Business Activity Tax (“Business and Occupation tax”). I have highlighted about a page of material which establishes the following
 - a. the broadest possible constitutional nexus (page 5)
 - b. that pretty much no entity is exempt from the tax by reason of how it is organized (page 7)
 - c. a tax of .1834 cents per square foot per quarter for offices that do not produce gross receipts (escalated with CPI from 2004, so its now .2056) (Page 14)
 - d. Establishes another tax of .001496 of receipts for all gross receipts from wholesale within the city. Note that Bellevue has only one rate, but because it closely follows the Washington State Model Ordinance, a number of categories, and each is taxed at the same rate (however, captive utilities are taxed much higher – see items 3 and 4 below.) (page 15)
 - e. a tax of .001496 on retail gross receipts within the city, without regard to the place of delivery articles (later it will exempt sales out of state) (Page 15)
 - f. a tax of .001496 on retail service gross receipts within the city (Page 15)
 - g. a tax of .001496 on all other gross receipts within the city (Page 16)
 - h. A credit so no sale is taxed twice by two different cities (Note; it will probably also be taxed by the state) (page 17)
 - i. Establishes minimums that are exempt – escalation has pushed that to \$135,000 in receipts or 250 square feet of office space (page 17)
 - j. Establishes which kinds of non-for profits are exempt.(page 18)
 - k. (in blue) Exempts utilities which are taxed elsewhere (page 18)
 - l. Establishes that any sales outside the state are exempt from tax (page 21)
 - m. Allows as a deduction anything which is prohibited from being taxed constitutionally. (page 22)
- (4) A quick summary of gross receipts taxes on utilities which are exempted by the material outlined in blue from the general tax, and then subject to rates roughly 30 to 40 times (not 30% to 40%) higher. The significance of this will become more important when the quantitative analysis is completed.

(5) A section of the Ohio Business Activity Tax that very clearly sets forth the opposite test from item e above: namely the final destination or benefit rule.

(6) A section of the Oakland Business Tax that clearly sets forth an alternative to the square footage tax, instead measuring payroll. It also illustrates the notion of a minimum 'license' fee for any business no matter how small

New material includes a Power Point containing some comparisons between Anchorage and Bellevue, and a spreadsheet that attempts to compare the tax base in Anchorage and Bellevue.