



EXECUTIVE SUMMARY

To: Jim Scholl, City Manager
Cc: Greg Veliz, Assistant City Manager
Jim Young, Director of Code Compliance
From: Jeffrey Burgess, Licensing Official
Date: June 26, 2019
Subject: BTR Fee Increase

Action statement:

Commission approval to increase the annual fees for all local Business Tax Receipts (BTR's) for fiscal year 2019-2020 by 5 percent.

Background:

Per Sec. 66-87, City of Key West Municipal Code, no person shall engage in, manage, carry on or practice, wholly or in part, within the city limits, any business, profession or occupation without first procuring a city business tax receipt. For the purposes of this article, any person holding himself out to the public by sign, printed matter, telephone directory classified section, city directory or otherwise as being engaged in business or as offering services or property to the public for a consideration, regardless of whether such person actually transacts any business or practices a profession, shall be considered as engaging in business and shall be liable for a business tax receipt fee thereon.

Proceeds are considered general revenue for the local government. All local business taxes are due and payable on or before September 30th of each year, and the business tax receipts expire on September 30th of the succeeding year.

In accordance with Florida State Statute 205.0535, municipalities and counties may every other year increase or decrease the rates of business taxes by up to 5 percent. However, an increase must be enacted by at least a majority plus one vote of the governing body.

Florida municipalities were first permitted to increase business tax fees in 1997. At that time the City of Key West increased certain business tax fees by 5%. In 1999, the City of

Key West increased all business tax fees by 5%. In 2001, 2003, 2005, 2007, and 2009, the City of Key West increased fees from 0% to 5%, and most recently increased the business tax fees by 5% for fiscal year 2015-2016.

In addition, the City of Key West migrated to a new software system in August, 2018, and as a result, the BTR classification names were changed in support of the new system's requirements. Florida State Statute 205.0535 indicates that any municipality that has adopted by ordinance a local business tax after October 1, 1995, may by ordinance reclassify businesses, professions, and occupations and may establish new rate structures by October 1, 2008. The state statute does not specify that a reclassification can be performed after October 1, 2008. The changes in BTR classification names in support of the new system requirements did not change the classification structure; the existing classifications were only re-named and re-organized for better understanding by the general public should the City of Key West decide to explore on-line application and/or renewal capabilities in the future.

RECOMMENDATION:

Four years have passed since the last increase, so the City Manager recommends the City Commission adopt a resolution increasing all Business Tax Receipt fees by 5% effective with the 2019-2020 fiscal year. The estimated revenue impact is \$47,000. So as to minimize the impact on efficiency and customer service, the recommendation includes rounding the increase down to the nearest whole dollar for all business taxes currently in excess of \$100.00. All business taxes that are currently less than \$100.00 would incur the full 5% increase, since rounding down to the nearest whole dollar would result in no increase being assessed on many of these BTR subtypes.

The City Manager also recommends the City Commission approve the verbiage changes which are indicated in the attached revision of sec. 66-109, City of Key West Municipal Code. The changes reflect the new classification types and subtypes, and indicate the original classification names in parenthesis for each type/subtype.