




## MEMORANDUM

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**Date:** January 11, 2024

**To:** Honorable Mayor and Commissioners

**Via:** Albert P. Childress  
City Manager 

**From:** Jim Young  
Code Compliance Director

**Subject:** Proposed fee increase for business tax receipts to be in effect on July 1<sup>st</sup> 2024 for 2025 renewals

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### Introduction

Commission approval to increase the annual fees for all local Business Tax Receipts (BTR's) for fiscal year 2023-24 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 30<sup>th</sup> of each year, and the business tax receipts expire on September 30<sup>th</sup> 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 years 2015-16, 2019-20, and 2021-22.

Currently, the revenue collected from business tax is \$1,030,916.30. The estimated revenue impact for the proposed business tax increase is \$49,246, which would bring business tax revenue up to \$1,080,162.49.

Although this is a large increase in revenue for the city, it will have a small impact on the businesses. About 40% of all business tax receipts are non-transient rentals. The current annual fee for non-transients is \$22.05 and will only increase by \$1.10. About 20% of all BTRs are general services. The current annual fee for a general service is \$113.00 and will only increase by \$6.00. The majority of the remaining 40% of business tax receipt types / subtypes annual cost increase will be \$10.00 to \$20.00.

The license period runs from October 1<sup>st</sup> through September 30<sup>th</sup>. However, due to the BTR renewal notices being sent in July, this fee increase will go into effect on July 1<sup>st</sup> to coincide with the billing period.

The first reading of this proposed text amendment was at the December 14<sup>th</sup>, City Commission meeting and passed with a roll call vote of all 7 members in favor of the motion. There were not any changes between the first and second reading.

### **Recommendation**

Two years have passed since the last increase to business tax receipts, so the City Manager's Office recommends the City Commission adopt a resolution to increase all Business Tax Receipt fees by 5% effective July 1<sup>st</sup>, 2024. 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.