Consideration of Polling Results on a Potential Business License Ballot Measure and Direction to Schedule the Consideration of Calling the Election for the August 4, 2026, City Council Meeting

July 21, 2026

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Agenda

- Background
- Timeline and Outreach To Date
- Recap of Tax Model 3
- Impacts to Deviating Businesses
- Concept of Double Taxation
- Alternative Tax Model Options
- Next Steps/Final Direction

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Background

Why update the City's Business License Tax (BLT) Code?

- Current tax structure is complex and inequitable
- Concept of a uniform gross receipts model = every business is taxed the same rate
  - Ensures there is no preferential rate for certain business types
  - Modern and more resilient tax basis for cities
- Outdated code from 1971 does not account for new business types
- BLT supports the General Fund to pay for public services, maintenance, infrastructure, and other costs that uphold the City's desirability and attraction to visitors and businesses
- Polling results support the proposed measure to equalize the tax rate across all businesses

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Goals of Business License Tax Modernization Plan

1) Simplify the Code

2) Clarify the Code

3) Modernize the Code

4) Fair and Equitable Tax Structure

5) Maintain Fiscal Sustainability

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Timeline & Public Outreach

October 23, 2025
Met with Chamber & BIDs

November 6, 2025
Met with Finance Sub-committee

March 3, 2026
Phase 1 Ordinance: City Council Meeting

March 17, 2026
Second Reading of Ordinance

April 23, 2026
Business License Tax Forum – Community Meeting

May 12, 2026
Present Results of Tax Analysis & Select Preferred Tax Model

July 21, 2026
Present Polling Results & Final Decision Points for BLT Measure

July – August 2026
Submit Notice in The Beach Reporter & Continued Outreach & Mailers

August 4, 2026
Phase 2: Call Election, Present Ordinance & Documents for Ballot Measure

November 3, 2026
General Election

Past → Present → Future

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Recap of Tax Model 3

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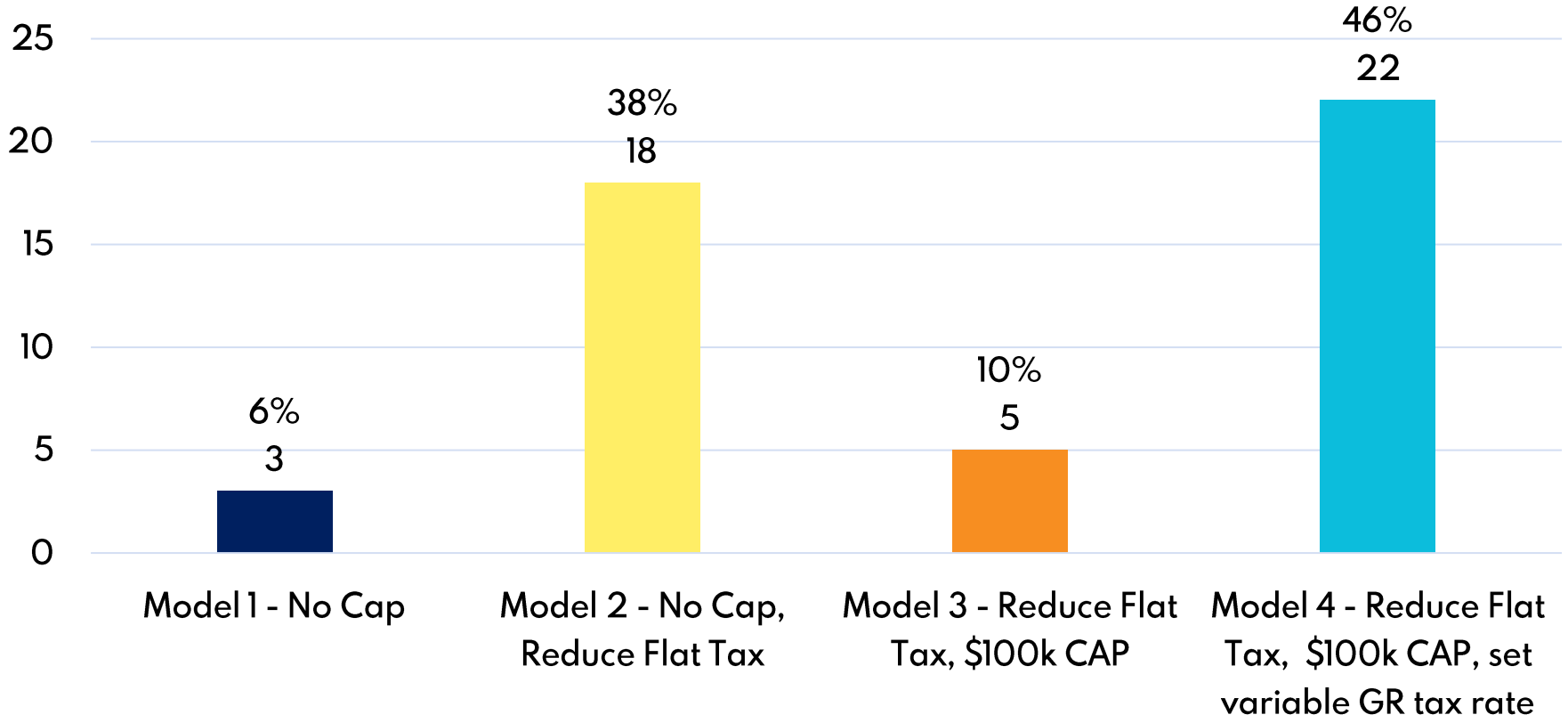
Polling Question from Business License Tax Forum

Question 3: Which Tax Model do you Prefer?



48 Respondents Total

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Recap of Models 1 - 4

	2025 Tax Revenue	Model 1	Model 2	Model 3 (Modified)	Model 4
Removes Cap		✓	✓		
Reduce Flat Tax			✓	✓	✓
Set Cap to $100K				✓	✓
Set Variable GR					✓
Projected Revenue	$5,389,000	$8,296,000	$7,703,000	$6,205,000	$5,941,000
Projected Business Tax Revenue Increase		$2,907,000	$2,314,000	$816,000	$552,000

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Model 3 Single Gross Receipts Rate

Model Structure:

- Uniform gross receipts rate for all businesses
- Small flat-rate tax
- Increases cap to $100,000
- Transitions to two categories: Non-Exempt & Exempt

Outcomes:

- Easy for businesses to understand
- Same rate for all non-exempt businesses is more equitable
- Increases revenues for City services
- Low flat rate supports micro-enterprises and new businesses

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Model 3 Single Gross Receipts Rate

Rate Structure

Tax Basis	Taxable Gross Receipts
Flat Rate (decreases)	$100 Flat Rate (Up to $100,000 in Gross Receipts)
Gross Receipts Tax (decreases incremental tax rate, and sets cap at $100,000)	+ $2.60 per thousand dollars in excess of $100,000 of Gross Receipts

How it Works

Example of $500,000 Business	Amount
Amount in Gross Receipts Reported	$500,000
Less $100,000 deduction from flat rate	-$100,000
Amount Subject to Gross Receipts Tax	$400,000
Divide by $1,000	400
Gross Receipts Tax Rate	x $2.60
Total Gross Receipts Taxes	$1,040
Total Flat Tax	+ $100
Subtotal Tax Amount Due	**$1,140**

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Model 3 Analysis

Analysis of Model 3 Business License Tax Structure

Comparison of Business License Tax Payments Based on Gross Receipts of $100K, $500K, $1M, $3M, $4.5M, $5M, $10M, $20M, $50M, $100M

	Gross Receipts	Current BLT Payment	Current % of Gross Receipts	Model 3 BLT Payment	Model 3 % of Gross Receipts
1	$100,000	$313	0.34%	$100	0.10%
2	$500,000	$1,457	0.29%	$1,140	0.23%
3	$1,000,000	$2,857	0.29%	$2,440	0.24%
4	$3,000,000	$8,457	0.28%	$7,640	0.25%
5	$4,500,000	$12,156	0.27%	$11,540	0.26%
6	$5,000,000	$12,156	0.24%	$12,840	0.26%
7	$10,000,000	$12,156	0.12%	$25,840	0.26%
8	$20,000,000	$12,156	0.06%	$51,840	0.26%
9	$50,000,000	$12,156	0.02%	$100,000	0.20%
10	$100,000,000	$12,156	0.01%	$100,000	0.10%

- ✓ **Reduces Flat Tax to $100**
- ✓ **Reduces Gross Receipts Tax Rate from $2.80 to $2.60**
- ✓ **Increases CAP to $100,000**

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Deviating Businesses

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Deviating Businesses

- **Hotels:**
  - Current Structure: $29.08 per room
  - Proposed Structure (Model 3): $100 Flat Tax, plus Gross Receipt Basis Tax ($2.60 per $1,000 of GR)
- **Administrative Office:**
  - Current Structure: $313.88 flat tax + $43.55 per employee
  - Proposed Structure (Model 3): $100 Flat Tax, plus Gross Receipt Basis Tax ($2.60 per $1,000 of GR)
- **PO Box**
  - Current Structure: $164.48 per year
  - Proposed Structure (Model 3): $100 Flat Tax, plus Gross Receipt Basis Tax ($2.60 per $1,000 of GR)

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Deviating Businesses

- **Rental of Residential Property**

  Condominiums

  - Current Structure: $0 per year, yet annual license required
  - Proposed Structure (Model 3): $100 Flat Tax, plus Gross Receipt Basis Tax ($2.60 per $1,000 of GR)

  Dwelling Units (3 or more units per lot)

  - Current Structure: $29.08 per unit annually
  - Proposed Structure (Model 3): $100 Flat Tax, plus Gross Receipt Basis Tax ($2.60 per $1,000 of GR)

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Deviating Businesses

- **Contractor**
  - Current Structure: $508.80 per year
  - Proposed Structure (Model 3): $100 Flat Tax, plus Gross Receipt Basis Tax ($2.60 per $1,000 of GR)
- **Sub-contractor**
  - Current Structure: $254.16 per year
  - Proposed Structure (Model 3): $100 Flat Tax, plus Gross Receipt Basis Tax ($2.60 per $1,000 of GR)
- **Per Vehicle**
  - Gardener - Currently: $197.48 per vehicle
  - Mobile Vendor/Catering - Currently: $420.72 per vehicle
  - Proposed Structure (Model 3): $100 Flat Tax, plus Gross Receipt Basis Tax ($2.60 per $1,000 of GR)

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Deviating Businesses

- **Commercial Property**
  - Current Structure:

    Two calculations, whichever is higher:

    1. Structure Square Footage Basis: $313.88 flat tax + $0.457 per square foot in excess of 5,000 square feet not to exceed $251,168 (CAP) OR
    2. Gross Receipts Basis: $313.88 flat tax for the first $91,661 of gross receipts + $2.80/$1,000 in excess thereof not to exceed $12,156 (CAP)

    - Both options allow for Sales Tax Credit Deduction
  - Proposed Structure (Model 3):
    1. Gross Receipts Basis: $100 Flat Tax for the first $100,000, plus $2.60/$1,000 in excess thereof not to exceed $100,000 (CAP)

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Feedback from Business Community

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Feedback from Business Community Concept of Double Taxation

- **Commercial Property**
  - Business License Tax on Commercial Property is not new
  - Current tax structure requires annual business license
  - Proposed tax structure maintains same requirement

Why this is not "double taxation"	• These are two separate business entities, not a duplicate tax on the same license • Both entities pay a business license based on their respective Gross Receipts

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Feedback from Business Community Concept of Double Taxation

- **Apportionment**
  - Businesses only need to report Gross Receipts (GR) generated in Manhattan Beach
- **Real Estate**
  - Draft Ordinance would allow brokers to deduct third-party funds held in a trust or escrow account from the basis of their Gross Receipts calculations
  - Each entity pays its fair share in BLT for commissions earned, similar to Contractors/Subcontractors

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Feedback from Business Community Concept of Double Taxation

- **Pass Through Revenue**
  - Draft Ordinance will not recognize Pass-Through Revenue as part of Gross Receipts
- **Franchise Agreements with Public Utilities**
  - Draft Ordinance will keep the exemption in place for Public Utilities to only pay the flat tax (and not pay Gross Receipts basis) if there is a Franchise Agreement in place where Franchise Taxes are paid

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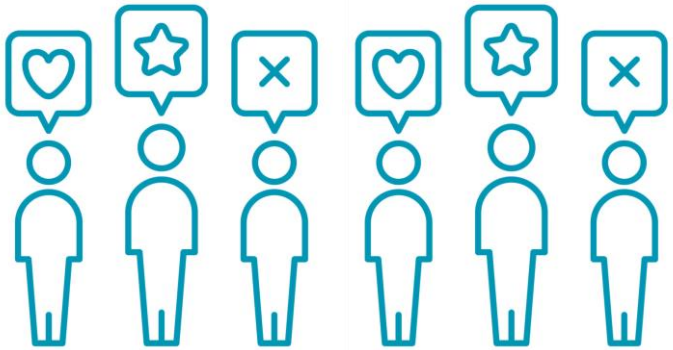
Feedback from Business Community

"Increasing the CAP from $12,156 to $100,000 means businesses generating $5 million+ will see increases"

With concerns in mind, alternative tax models were developed for further consideration



"Applying a uniform tax upon all business types means certain categories will see more noticeable increases"

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Business License Tax Modernization Plan
Alternative Tax Model Options

			Flat Tax	GR Rate	Flat Tax	GR Rate	Flat Tax	GR Rate	Flat Tax	GR Rate	Flat Tax	GR Rate
			$337	0.280%	$100	0.260%	$100	0.250%	$150	0.240%	$150	0.225%
			CURRENT		MODEL 3		OPTION A		OPTION B		OPTION C	
Qty. of Businesses Under Amt	%	Gross Receipts	Current BLT Payment	Current % of Gross Receipts	BLT Payment	% of Gross Receipts	BLT Payment	% of Gross Receipts	BLT Payment	% of Gross Receipts	BLT Payment	% of Gross Receipts
2,305	43.9%	**$100,000**	$313	0.34%	$100	0.10%	$100	0.10%	$150	0.15%	$150	0.150%
2,312	44.1%	**$500,000**	$1,457	0.29%	$1,140	0.23%	$1,100	0.22%	$1,110	0.22%	$1,050	0.210%
248	4.7%	**$1,000,000**	$2,857	0.29%	$2,440	0.24%	$2,350	0.24%	$2,310	0.23%	$2,175	0.218%
250	4.8%	**$3,000,000**	$8,457	0.28%	$7,640	0.25%	$7,350	0.25%	$7,110	0.24%	$6,675	0.223%
41	0.8%	**$4,500,000**	$12,156	0.27%	$11,540	0.26%	$11,100	0.25%	$10,710	0.24%	$10,050	0.223%
8	0.2%	**$5,000,000**	$12,156	0.24%	$12,840	0.26%	$12,350	0.25%	$11,910	0.24%	$11,175	0.224%
36	0.7%	**$7,500,000**	$12,156	0.16%	$19,340	0.26%	$18,600	0.25%	$17,910	0.24%	$16,800	0.224%
7	0.1%	**$10,000,000**	$12,156	0.12%	$25,840	0.26%	$24,850	0.25%	$23,910	0.24%	$22,425	0.224%
12	0.2%	**$15,000,000**	$12,156	0.08%	$38,840	0.26%	$37,350	0.25%	$35,910	0.24%	$33,675	0.225%
7	0.1%	**$20,000,000**	$12,156	0.06%	$51,840	0.26%	$49,850	0.25%	$47,910	0.24%	$44,925	0.225%
4	0.1%	**$25,000,000**	$12,156	0.05%	$64,840	0.26%	$62,350	0.25%	$59,910	0.24%	$56,175	0.225%
3	0.1%	**$30,000,000**	$12,156	0.04%	$77,840	0.26%	$74,850	0.25%	$71,910	0.24%	$67,425	0.225%
2	0.0%	**$40,000,000**	$12,156	0.03%	$100,000	0.25%	$99,850	0.25%	$95,910	0.24%	$89,925	0.225%
2	0.0%	**$50,000,000**	$12,156	0.02%	$100,000	0.20%	$100,000	0.20%	$100,000	0.20%	$100,000	0.200%
4	0.1%	**$75,000,000**	$12,156	0.02%	$100,000	0.13%	$100,000	0.13%	$100,000	0.13%	$100,000	0.133%
4	0.1%	**$100,000,000**	$12,156	0.01%	$100,000	0.10%	$100,000	0.10%	$100,000	0.10%	$100,000	0.100%
5,245	**100%**											

$100,000 CAP SCENARIOS					
Maximum Tax (CAP)	**$12,156**	**$100,000**	**$100,000**	**$100,000**	**$100,000**
Estimated Increased City Revenue		**$816,630**	**$636,252**	**$713,625**	**$443,059**
% of Businesses with Increase		**23%**	**23%**	**32%**	**30%**
No Change (Exempt)		**2%**	**2%**	**2%**	**2%**
% of Businesses with Decrease		**75%**	**75%**	**66%**	**68%**
$75,000 CAP SCENARIOS					
Maximum Tax (CAP)	**$12,156**	**$75,000**	**$75,000**	**$75,000**	**$75,000**
Estimated Increased City Revenue		**$540,747**	**$367,127**	**$449,445**	**$184,443**
Less Revenue if CAP reduced		**$275,883**	**$269,125**	**$264,180**	**$258,616**
# of Businesses Impacted by $75K CAP		15	12	12	12

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Commercial Property Impacts

	Flat Tax	GR Rate	Flat Tax	GR Rate	Flat Tax	GR Rate	Flat Tax	GR Rate	Flat Tax	GR Rate
	$313	0.280%	$100	0.260%	$100	0.250%	$150	0.240%	$150	0.225%
	CURRENT		MODEL 3		OPTION A		OPTION B		OPTION C	
Examples based on $500,000 - $25,000,000 in Gross Receipts	Current BLT Payment	% of Gross Receipts	BLT Payment	$ Change	% of Gross Receipts	BLT Payment	$ Change	% of Gross Receipts	BLT Payment	$ Change	% of Gross Receipts	BLT Payment	$ Change	% of Gross Receipts
$500,000	$1,457	0.29%	$1,140	($317)	0.23%	$1,100	($357)	0.22%	$1,110	($347)	0.22%	$1,050	($407)	0.21%
$1,000,000	$2,857	0.29%	$2,440	($417)	0.24%	$2,350	($507)	0.24%	$2,310	($547)	0.23%	$2,175	($682)	0.22%
$3,000,000	$8,457	0.28%	$7,640	($817)	0.25%	$7,350	($1,107)	0.25%	$7,110	($1,347)	0.24%	$6,675	($1,782)	0.22%
$5,000,000	$12,156	0.24%	$12,840	$684	0.26%	$12,350	$194	0.25%	$11,910	($246)	0.24%	$11,175	($981)	0.22%
$10,000,000	$12,156	0.12%	$25,840	$13,684	0.26%	$24,850	$12,694	0.25%	$23,910	$11,754	0.24%	$22,425	$10,269	0.22%
$25,000,000	$12,157	0.05%	$64,840	$52,683	0.26%	$62,350	$50,193	0.25%	$59,910	$47,753	0.24%	$56,175	$44,018	0.22%

All proposed Models remove the Square Footage Basis of the Tax and replaces current $251,168 Cap

Gross Receipts Range	# of Businesses	%		
$1 - $100,000	84	39.6%	95.8%	Decreases in all Models within this range
$100,000 - $500,000	95	44.8%		
$500,000 - $1,000,000	14	6.6%		
$1,000,000 - $3,000,000	10	4.7%		
$3,000,000 - $4,500,000	3	1.4%		
$4,500,000 - $5,000,000	2	0.9%		
$5,000,000 +	4	0.5%		
Total Commercial Property	**212**	**100%**		

Data is based on 2025-2026 licensing year reflecting Gross Receipts from 2024 Calendar Year

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Recommendation

- Staff recommends City Council discuss and provide direction regarding:
  - Final Decision Points on Tax Model
  - Whether to proceed with placing ballot measure
- If approved, next steps will be to return on August 4, 2026, to present the following:
  - Ordinance and ballot language
  - Resolution to Call the Election
  - Resolutions for Ballot Measure Submission and Filing of Rebuttal Arguments
  - Selection of a Ballot Letter Designation for the City's Ballot Measure (Tentative letters for measure are BL or MBL)
- Additional outreach to businesses and residents will be provided

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CITY OF MANHATTAN BEACH

SUN

SAND

SEA

CALIFORNIA