



BUSINESS LICENSE ORDINANCE AMENDMENT

Town of Bluffton, SC

Purpose of Project

- Action item on the FY 2017-18 Strategic Plan
- Standardize the Town's complicated and outdated rate structure
- Remain regionally competitive
- Observe best practices set by MASC BL Task Force '5 points'
- Simplify the business licensing process

Project Timeline

- June 2014 - MASC Recommends Model Ordinance Standardization
- June 2016 - Began working with MASC to convert Town's 22+ tax codes to the recommended eight with a goal of revenue neutrality
- February 2017 - Town of Bluffton Strategic Plan includes action item to amend the Business License Ordinance
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- June 5th - HHAHBA presentation at monthly board meeting
- June 2018 – Postponed Final Reading and Adoption of Amended Ordinance and Fee Schedule based on Community Feedback to look into definition alternatives.
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- January 1, 2019 - Effective Date for New Applications & Renewals

Current Challenges for Businesses

- Confusing
 - Varying Base Fees
 - Varying Base Allowances
 - Varying Rate per Thousand
- Different due date than other local municipalities
- Difficult process
- Payment options restrictive due to current complexity

State Law & MASC Task Force



- Municipalities may levy a business license tax based on gross income (S.C. Code 1976, § 5-7-30)
- MASC recommends the use of NAICS to provide a method of standardization of what a business or occupation contributes.

Town of Bluffton Code Sec. 6

Businesses and Business Regulations

- License required

Every person engaged or intending to engage in any calling, business, occupation or profession in whole or in part, within the limits of the Town of Bluffton, South Carolina, is required to pay an annual license tax for the privilege of doing business and obtain a business license.

- Gross Income

the total income of a business, received or accrued, for one calendar year collected or to be collected from business done within the Town, excepting therefrom income earned outside of the Town on which a license tax is paid to some other Municipality or a County and fully reported to the Town.

MASC Business License Task Force

Business License Tax Standardization Act: Five Points

1. Standard definition of gross income
2. Standard license year
3. Standard license due date
4. Standard business license schedule based on IRS profitability statistics that will be updated every two years. The standard schedule would ensure businesses are in the same class regardless of where they are doing business, and
5. Online payment portal*.

* While the intent is for the State to maintain the portal, having a more consistent structure avails the Town of Bluffton to implement an online payment portal.

Considerations for Council - Ordinance Changes

- Replacing the 20+ Rate Classes to 8+ Rate Classes per MASC Model Ordinance based on NAICS codes
- Standardized Base Allowance (\$10,000)
- Standardized Base Fee (\$50) to cover administrative costs
- Establish a per \$1000 Rate – Escalated (\$0.20) based on rate class starting at \$1
- Rates for In Town Businesses vs. Nonresident rates – Consistent with regional partners doubling nonresident rates was supported.
- Recommend establishing a new Renewal Due Date of April 30th consistent the proposed Town of Hilton Head Ordinance Amendment and MASC Model Ordinance.
- Allow Town Manager or designee the authority to adjust late fees if justified

Council Feedback

Is the Town Regionally Competitive?

- Other regional partners have adopted a customized Model Ordinance
- Other regional partners have gone to a similar 8 rate class structure (HHI will adopt NAICS this summer)
- Base Fees start at \$25 - \$312
- Per Thousand Rate range from \$0.27 – 7.84
- Base Allowances range from \$2,000 - \$100,000

Council Feedback

Will this adversely effect small businesses?

- The Model Ordinance uses the NAICS code and bases the tax on business annual gross income.
 - ▣ The rate classifications based on NAICS codes are calculated within an index that looks at a business types ability to pay based on national averages, benefits, equalization of tax burden, relationships of services, etc.
 - ▣ Based on Gross Income further assists smaller companies

Council Feedback

Examples of how this will affect businesses in Bluffton:

1. All Full Service Restaurants but 4 saw a reduction in fees (class 1)
2. All but 3 daycares had an increase in fees less than \$50 and the other 3 did not exceed \$850 (class 2)
3. Other Building Material Dealers saw the biggest increase in BL paid in classes 1-7 with the largest paying \$8,990 more (Non-resident business)
4. Offices of Doctors and Dentists saw an average reduction of \$434 per business due to a reduction in the rate per \$1000.
5. Investment Advice Businesses changed from \$2 /\$1000 to \$2.20/ \$1000 with a change in rate class to rate class 7. Average increase of \$275/year.
6. The average change of In-Town non-construction businesses was a reduction in fees of \$61.56

Council Feedback

What other incentives are used by municipalities across the state?

- Hardeeville - Fee Discounts
 - Fee between \$50,000 -75,000 deduct 10%
 - Fee between \$75,001 and \$100,000 deduct 15%
 - Fee over \$100,000 deduct 20%
- Greenville – Anniversary Incentives
 - 10 years – 5% discount on tax
 - 15 years – 7.5% discount on tax
 - 20+ years – 10% discount on tax
- City of Beaufort – New Resident Business Incentive (similar to proposed in amendment based on feedback from Council and Community Workshop)
 - First Year of Renewal pay 40% of tax
 - Second Year of Renewal pay 60% of tax
 - Third Year of Renewal pay 100% of tax

Council Feedback – Ordinance Changes

Economic Incentives – Town of Bluffton

- Maintain Business License Incentive Program
- Maintain \$25 million cap incentive
- ADD Incentives for Resident Businesses with Multiple Locations (10%)
 - Same Owner Structure
 - Same NAICS Code
- ADD New Resident Business Incentive
 - ▣ Base Fee for the first year of business
 - ▣ 40% gross income reduction 1st year renewal
 - ▣ 20% gross income reduction 2nd year renewal
 - ▣ 10% gross income reduction 3rd year renewal

Council Feedback

Other Items:

- Council members liked moving to alternatives that allow online opportunities
- Supportive of Town Manager or Designee having ability to waive late fees with justification
- Looking for feedback from Businesses on Renewal Date change – Survey results indicated a small preference to change the date to May 31st consistent with the County and Town of Hilton Head. Since then the Town of Hilton Head has proposed to change their renewal date to be consistent with the Model Ordinance to April 30.
- Supportive of reducing fee for new business licenses obtained after July 1st

Rate Class Comparison – Current

Current

Rate Class	Resident/ Non-Resident	Minimum Rate	Minimum Gross Receipt	Rate Per Thousand or Fraction Thereof Over Minimum Gross
1	N/A	\$ 50.00	\$ 1,000.00	\$ 2.00
2	N/A	\$ 70.00	\$ 5,000.00	\$ 2.00
3	N/A	\$ 50.00	\$ 5,000.00	\$ 4.00
4	N/A	\$ 50.00	\$ 5,000.00	\$ 2.00
5	N/A	\$ 50.00	\$ 5,000.00	\$ 1.00
6	N/A	\$ 30.00	\$ 5,000.00	\$ 2.00
7	N/A	\$ 50.00	\$ 10,000.00	\$ 2.00
8	N/A	\$ 100.00	\$ 10,000.00	\$ 4.00
9	N/A	\$ 50.00	\$ 15,000.00	\$ 2.00
10	N/A	\$ 50.00	\$ 20,000.00	\$ 2.00
11	N/A	\$ 50.00	\$ 25,000.00	\$ 2.00
12	N/A	\$ 50.00	\$ 25,000.00	\$ 1.00
13	N/A	\$ 50.00	\$ 50,000.00	\$ 1.00
14	N/A	\$ 50.00	\$ 2,000.00	\$ 2.00
15-A	Resident	\$ 50.00	\$ 25,000.00	\$ 0.50
15-B	Non-Resident	\$ 70.00	\$ 25,000.00	\$ 0.50
16	N/A	\$ 70.00	\$ 50,000.00	\$ 2.00
17-A (Sub-Contractor)	Resident	\$ 50.00	\$ 20,000.00	\$ 1.00
17-B (Sub-Contractor)	Non-Resident	\$ 100.00	\$ 20,000.00	\$ 1.00
17-C (General Contractor/Home Builder)	Resident	\$ 100.00	\$ 25,000.00	\$ 1.00
17-D (General Contractor/Home Builder)	Non-Resident	\$ 200.00	\$ 25,000.00	\$ 1.00
18-A	Resident	\$ 30.00	\$ 30,000.00	\$ 2.00
18-B	Non-Resident	\$ 50.00	\$ 5,000.00	\$ 2.00
19	N/A	\$ 100.00	\$ 50,000.00	\$ 1.00
20	Note: For License tax in Rate Class 20, see next page.			
25 - Non Profit	N/A	N/A	N/A	N/A

Class 20

Rate Class 20 - Miscellaneous Businesses		NAICS CODES
20A)Funeral Homes and Funeral Services: Gross Income not Exceeding \$ 75,000.00 Each Additional \$ 1,000.00 or Fraction Thereof	\$ 100.00 \$ 2.00	812210
20B)Boothblack/Shoeshine Stands (Not in Connection with Barbershops): Gross Income not Exceeding \$2,000.00 Each Additional \$1,000.00 or Fraction Thereof	\$ 10.00 \$ 4.00	812990
Child Care Business (Including For - Profit Day Care Centers, Kindergarten and the Like):		
20C)Family Child Care Home - Capacity up to 6 Children	\$ 30.00	624410
20D)Group Child Care Home - Capacity of 7-12 Children	\$ 40.00	624410
20E)Child Care Center - Capacity of 13 or more children	\$ 50.00	624410
20F)Cemetaries and Crematories: Gross Income not Exceeding \$75,000.00 Each Additional \$1,000.00	\$ 100.00 \$ 2.00	812220
20G)Other Performing Arts Companies (Carnival, Circus or Similar Show) (With Location Approved by Town Council and Chief of Police) Per Week	\$ 400.00	711190
20H)Dances (Public, Where an Admission is Charged Except where Sponsored by a Non - Profit Organization): Gross Income not Exceeding \$ 200.00 Each Additional \$ 100.00 or Fraction Thereof	\$ 50.00 \$ 2.00	713990
20I)Theater Companies and Dinner Theater: Per Day	\$ 55.00	711110
20J)Motor Vehicle Parts (Used) Merchant Wholesalers: Gross Income not Exceeding \$ 2,000.00 Each Additional \$ 1,000.00 or Fraction Thereof	\$ 100.00 \$ 2.00	423140
20K)Palmist, Clairvoyant, Phrenologist, and the Like (Location to be Approved by Town Council): Per Day Per Year	\$ 220.00 \$ 1,000.00	812990
20L)Telephone Company (On Business done Exclusively within the Town): Gross Income not Exceeding \$ 50, 000.00 Each Additional \$ 1,000.00 or Fraction Thereof	\$ 400.00 \$ 2.00	443112

Rate Class Comparison – Proposed

EXHIBIT A

Rate Class	Minimum Rate	Minimum Gross Receipt	Rate Per Thousand or Fraction Thereof Over Minimum Gross
1	\$ 50.00	\$ 10,000.00	\$ 1.00
2	\$ 50.00	\$ 10,000.00	\$ 1.20
3	\$ 50.00	\$ 10,000.00	\$ 1.40
4	\$ 50.00	\$ 10,000.00	\$ 1.60
5	\$ 50.00	\$ 10,000.00	\$ 1.80
6	\$ 50.00	\$ 10,000.00	\$ 2.00
7	\$ 50.00	\$ 10,000.00	\$ 2.20
8.1	\$ 50.00	\$ 10,000.00	\$ 1.00
8.2	See SC Code		
8.3	MASC Telecommunications		
8.4A	\$ 50.00	\$ 10,000.00	\$ 1.00
8.4B	\$ 50.00	\$ 10,000.00	\$ 1.00
8.5	\$ 50.00	\$ 10,000.00	\$ 1.00
8.6	\$ 30.00	\$ 10,000.00	\$ 1.00
8.7	MASC Insurance		
8.81	\$12.50 business license for operation of all machines (not on gross income)		PLUS \$12.50/machine
8.82	\$ 50.00	\$ 10,000.00	\$ 1.00
8.83	\$12.50 business license for operation of all machines (not on gross income)		PLUS \$12.50/machine
8.9A	\$ 50.00	\$ 10,000.00	\$ 1.00
8.9B	\$ 50.00	\$ 10,000.00	\$ 1.00
8.9C	\$ 50.00	\$ 10,000.00	\$ 2.20
Non Profit	N/A	N/A	N/A

NON-RESIDENT RATES

Unless otherwise specifically provided, all taxes and rates shall be doubled for nonresidents and itinerants having no fixed principal place of business within the municipality.

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