

July 30, 2024

Dear Chamber Members and Partners:

Earlier this year, the Chamber Board of Directors adopted a government relations strategy that is anchored on four priority areas:

- Transportation,
- Housing,
- Balanced government regulations and taxes, and
- Economic vitality for all segments of our community.

These pillars are guiding the work of the Chamber as we advocate on matters important to our 1,500 members and the broader business community. Working with nearly 65 local, state and federal elected officials and their staffs in Redwood City, San Carlos, Belmont, Menlo Park and throughout San Mateo County, the Chamber continues to dedicate its efforts to inform, influence and impact public policy.

With this framework in mind, I want to give you an update on two tax measures that the Chamber has been working tirelessly on and delivering for our members.

As you have seen recently, a number of communities in the county have been discussing changes to their business license tax models, including potential shifts to gross receipts models. The Chamber has been clear that we believe these models are harmful to businesses and we oppose such efforts. Gross receipts tax models negatively impact businesses with low profit margins and high production volumes (such as restaurants) and new, high revenue businesses that see losses in the early stages of their business (such as entrepreneurs, startups, etc.). Also harshly impacted are professional service providers such as law firms, architectural and engineering firms and others that often pass significant portions of their gross receipts on to clients, sub-contractors or vendors.

The Chamber has never been opposed to reasonable and responsible updates to tax models. In fact, we believe that updates on a routine basis, rather than every 20 – 30 years, provides businesses with greater predictability in their planning and provides cities with the resources needed to maintain services without imposing massive tax hikes.

In April 2024, Redwood City Council coalesced around a gross receipts tax proposal. Since that time, Chamber San Mateo County has worked closely with the elected officials and staff in Redwood City to ensure that the voices of businesses are heard and the impact of such a policy is understood. In addition to the concerns mentioned above, the Chamber also drew attention to the lack of business engagement and flawed data the City was using to reach its decision. As a result of months of advocacy by the Chamber and its Redwood City members, including nearly a dozen focus group meetings with nearly 100 businesses, along with countless calls, emails and letters, Council abandoned its consideration of a gross receipts tax model. **This shift by Council was a massive win for Chamber members!**

Redwood City then went about revising its current per-employee business license tax model and increasing the cap for overall tax liabilities for businesses. Again, the Chamber went about working to refine the many iterations of the proposal that eventually made its way to Council on June 22, 2024. We argued that both the fee for certain categories (especially professional services) and the cap of \$500,000 were unreasonable and unacceptable. In particular, we reinforced that the proposal would hurt businesses, put workers at risk, and would cause a cascading effect that could impact small businesses, school districts and future economic growth in the city.

Though we were not successful in lowering the fees, through our advocacy and through the voice of our members, we were able to convince enough members of Council of the harm in rate of the cap. Council amended the proposal to lower the cap by half to \$250,000. **This was also a big win for the Chamber members!**

In Belmont, unlike in Redwood City, staff engaged the Chamber from the very beginning of their discussions about a transition to a gross receipts model. We, again, made our position clear in opposing the model. Through a hand-in-glove partnership with Belmont staff, the Chamber worked to engage Belmont businesses in discussions to understand impacts of a new taxing model. A key difference between the Belmont and Redwood City proposals was that Belmont's proposal was revenue-neutral, with the City attempting to modernize its taxing structure to be more equitable, while not attempting to gain any new revenue for the city. While the Chamber does not agree with the taxing model, we worked to mitigate the risk to and impact on businesses and reinforced the need for containment through Belmont's revenue-neutral approach.

Earlier this month, the Belmont Council approved language for a ballot measure to send a gross receipts tax model to the voters of the city on the November 2024 ballot. **Chamber San Mateo County continues to oppose this measure.**

I share this update to reinforce that the Chamber goes to bat for members every day. These two tax measures, while the results differed, are great examples of how the Chamber works publically and behind the scenes to influence public policy to support our members, workers and our community. The relationships we develop, foster and maintain with elected officials and staffs across the region are a hallmark of how the Chamber works to deliver positive results that keep businesses thriving, our communities competitive and our economy strong and growing. You have seen us deliver time and again, and you can expect us to continue to deliver for you in the months and years to come.

All my best,

