

Date: September 21, 2022

To: Thomas B. Modica, City Manager *T.M.M.*

From: Kevin Riper, Director of Financial Management *KR*
Johnny Vallejo, Acting Director of Economic Development *JV*

For: Mayor and Members of the City Council

Subject: **Resumption of Standard Business License Tax and Fee Collection Activities**

Many local businesses were heavily impacted because of the COVID-19 pandemic. To aid local businesses during this difficult time, the City of Long Beach (City) suspended penalties early in the pandemic as a mechanism to reduce economic burden, and put in place other assistance efforts detailed below. In alignment with other City of Long Beach (City) operations including Utility Services (as detailed in an August 19, 2022 [memorandum](#)), the Department of Financial Management (FM) has developed a strategy to continue to support its customers while moving toward resumption of standard collection efforts, including penalties. This memorandum will detail the business outreach efforts and assistance planned in advance of that resumption, which is currently targeted for the beginning of 2023.

Background

As part of its proactive efforts to assist businesses, FM and the Department of Economic Development (ED) have provided various forms of assistance to local businesses, including expanded payment plan options, interest free loans, and BizCare services. The BizCare program connects business owners to important resources and information, such as grants, loans, technical assistance, information on City policies, and more. In addition, FM and ED have partnered on two rounds of Business License Tax and Fee Grant programs. The first round used an application process to reimburse Business License, Health Permit, and Fire Permit account fees for 2020, affecting 119 accounts totaling \$279,690 in debt relief. The second round will use a criteria formula to identify accounts with overdue taxes and fees for 2020 and 2021. Funds are expected to be applied toward identified accounts in early 2023, totaling an estimated \$2.2 million in debt relief. Lastly, FM and ED have also partnered to proactively identify businesses that closed during the pandemic but did not report the closure. Since businesses only owe taxes through the most recent year they operated, retroactively closing accounts to the date of business closure helps minimize businesses' financial obligations. To that end, FM and ED staff are currently cross-referencing two independent databases with Business License accounts to identify likely closed businesses.

The General Fund still relies on Business License taxes and fees to generate \$24 million in annual revenue that supports City programs and services. The City's loss of essential revenue impacts current and future fiscal years. Considering the easing of economic impacts imposed by the pandemic, City staff plans to reinstate standard collection efforts in 2023.

Upcoming Account Notice

Over the next few weeks, the Business License Division will mail out account notices to businesses with unpaid business license account balances. The purpose of the notice is to assist businesses in managing their balances in advance of penalty restart and avoiding penalties. While the notice is generated from the billing system and includes an option to pay, the standard content has been redesigned to focus on providing additional information and options to support the business in returning their account to good standing. Utilizing the information provided on this notice, a business will be able to:

- Get up-to-date information about the status of their account and outstanding balance
- Pay their outstanding balance immediately if able, using the provided payment information
- Find out about available assistance programs to help manage outstanding balances, including flexible payment plans and small business loans
- Update their account information to ensure accuracy of billing and contact information
- Close their account if they are no longer in operation

Additional Outreach and Collection Efforts

Following issuance of the notice, the City will continue to connect with local businesses and provide services while steadily transitioning back to regular business license tax practices. The objective of these efforts is to give businesses the opportunity to return their accounts to good standing before late penalty fees are reinstated.

During the late fall and winter months, FM and ED will continue to inform businesses about available assistance, identify permanently closed businesses, and conduct collection efforts prior to the resumption of delinquency penalties. In addition to ensuring information about resumed penalties is readily available through billing notices, online and at public counters, FM and ED staff will reach out to nonresponsive businesses through numerous avenues: BizCare staff will contact businesses via phone and host pop-up events to publicize services and answer any questions and Business License staff will visit business locations to determine which businesses have permanently closed or if contact information on file needs to be updated. Business License staff will provide open businesses with on-site payment assistance or service referrals as needed. Finally, Business License billing notices will return to a regular cycle, and all outgoing notices will include education and assistance about the resumption of delinquency penalties.

The Business License Division is currently targeting reinstatement of late penalties and external collections in the first part of calendar year 2023. This timing is subject to change based on outreach progress.

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If you have any questions regarding this outreach and resumption effort, please contact Junie Salcido, Business Services Officer at (562) 570-6363.

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