

Business Tax Reform Task Force

Proposed Objective, Scope & Methodology and Schedule

Revised September 21, 2013 (See Bold and [ ] for changes)

**June 25<sup>th</sup> Memo from Council Members Lovain, Smedberg & Wilson**

General Statements of Objectives & Scope

- “Ease the burden on our residential taxpayers by increasing the share of taxation that derives from commercial activity.”
- “Provide jobs for our residents and help support the services our community relies on.”
- “Reform the City’s business tax structure.”
- “Tax incentives that the City does pursue must be the result of rigorous analysis and not simply reduce revenue without a corresponding increase in business development.”

Specific Statements of Objectives & Scope

- “Changes to the Business License Tax, Business Personal Property Tax, or any other revenue stream that will promote business growth and align to the City’s strategic economic development objectives.”
- “[Identify] Revenue or other incentives that the City can deploy to attract businesses and encourage beneficial development aligning with the City’s Strategic Plan, as well as appropriate criteria for evaluating these incentives.”
- “Changes to the administration of any revenue stream that can assist small businesses.”
- “Recommendations that are both cost-neutral and ones that may require new City investment.”

Schedule

- Present findings by the end of 2013 **to the City Manager (for transmittal to City Council in January)** so that our [its] recommendations can be beneficial for the FY 2015 budget process

## Proposed Objective, Scope & Methodology

### Proposed Statement of Objectives:

1. The overarching objective is to analyze the alternatives available to the City Council to promote business growth and commercial activity in Alexandria and identify the most promising alternatives that align with City Council's strategic economic development objectives and increase the number of businesses and jobs in Alexandria.
2. While these alternatives do not need to be revenue neutral in the short term, in the long term there should be a realistic prospect that growing commercial activity will generate more revenue over time than the costs to implement the alternatives or the revenue foregone as a result of any changes in taxes or fees.

### Proposed Scope

1. The scope of our study should include both possible changes in
  - a. taxes and fees affecting businesses,
  - b. other possible monetary and non-monetary incentives, and
  - c. changes in the administration of any tax or fee.
2. The alternatives presented for City Council's consideration should be accompanied by
  - a. a specific statement for each of the [expected results in the] costs and feasibility of implementation,
  - b. City budget revenue impacts, and
  - c. the specific level of expected growth in business and commercial activity over time attributable to the alternative.
3. Objective criteria, specific measures and feasible methods should be recommended for tracking the impact of alternatives on the City's revenue and expenditures and the growth in business and commercial activity. To the extent practicable, changes attributable to individual alternatives should be tracked separately.

### Proposed Methodology

1. Staff presentations
  - a. City Staff will provide a history of previous studies referenced in the June 25<sup>th</sup> memorandum.
  - b. City Staff will provide information on the nature and extent of taxes and fees currently imposed on businesses or commercial activities in Alexandria or collected by businesses in a fiduciary capacity.
  - c. City and AEDP staff will provide information on similar taxes and fees imposed in our primary competing jurisdictions, **which include not only the District of Columbia, and Arlington, Fairfax, and Montgomery counties, but for some types of businesses other cities across the nation.**
  - d. AEDP staff will provide information on incentives that have been offered to attract new businesses.

- e. AEDP staff will also provide that organization's strategic areas of emphasis.**
- 2. Develop Statistical Baseline
  - a. A statistical picture of business and commercial activity will be developed based on the most recent available data to describe the current situation in Alexandria and its unique features and characteristics. Such features, in addition to taxes and fees, will include a description of the number and size of firms and the number of their employees, and their classification into different lines of business. Various City, State and Federal sources may be used.
  - b. Some basic trends will be described to assess the growth in businesses and jobs over the last several decades, depending on data availability
- 3. Identify Impediments to **and incentives for** Business Retention and Retraction
  - a. Hypotheses will be formed that identify the primary impediments to **and incentives for** business retention and attraction in Alexandria.
  - b. These hypotheses will be informed by
    - i. data on comparative economic costs of doing business in key competing jurisdictions (e.g., taxes and fees, lease costs, transportation and labor force availability),
    - ii. trend data for business activity in the City,
    - iii. prior City studies, and
    - iv. informed judgment of members of the task force
- 4. Solicit Outside Opinions **in Writing**
  - a. Business Community
  - b. General Public
- 5. Alternatives Generated and Analyzed
  - a. Alternatives will be developed as feasible to address the most important impediments and competitive disadvantages, **as well as identify the most effective incentives**
  - b. The evaluation of alternatives will be based on a specific statement for each alternative of the expected results in the costs and feasibility of implementation, City budget revenue impacts, and the specific level of expected growth in business and commercial activity over time attributable to the alternative.
  - c. The availability of objective criteria, specific measures and feasible methods for tracking the impact of each alternative on the City's revenue and expenditures and the growth in business and commercial activity will be considered.
- 6. Evaluation of Alternatives
  - a. Development and Recommendation of consensus alternatives by the Task Force
  - b. Minority recommendations allowed

## Proposed Schedule

### Opening Meeting September 10

- Introductions
- OS&M and Schedule Developed
- Initial staff presentations of data
- Establishment of Future Meeting Dates

### Remainder of September

- Develop Statistical Baseline
- Identify Impediments to Business Retention and Retraction

### October

- **Meetings set for**
  - **Monday, October 1**
  - **Monday, October 21**
  - **Monday, October 28**
- Finalize and Present Statistical Baseline
- Outside opinions solicited
- Generate and Analyze Alternatives

### November

- Analyze and Recommend Alternatives
- Begin Drafting Report

### December

- Issue Report to City Manager for Transmission to Council in [December or] January
- [Council Regular Meeting Dec 10; Public Hearing Dec 14]
- Council Regular Meetings Jan 14 and 28; Public Hearing Jan 25