

Bad Business Fee

Bad Business Fee: The City does not assess a fee on businesses based on the wages of their employees.

Background

The concept of a “bad business fee” would assess a fee on businesses that pay low wages, with the assumption that their employees rely on public services to a greater degree due to their low wages. The payments from the employer would subsidize some of the cost of the City services on which their employees rely.

Although the City does not currently charge any tax or fee on businesses based on the compensation of their employees, the minimum wage ordinance passed in December 2014 does carry consequences for businesses that pay wages lower than allowed under the ordinance. The ordinance applies to all employers that maintain a business facility within the city and are required to obtain a business license to operate. The ordinance requires, with few exceptions, non-tipped wages increasing to \$13 per hour by July 2019 (currently at \$10 per hour). Employers who violate the minimum wage ordinance are subject to fines of \$500 to \$1000 for each day they are out of compliance.

Revenue Impact

In order to determine the revenue potential of imposing a “bad business fee” on businesses whose workers rely on some form of City assistance, the City would need to develop a way to connect individuals who receive assistance with both their wages and employer. The City would then need to determine the cost of assistance provided to those individuals and their families and develop a mechanism for assessing the fee on the subject employers.

In addition, in determining the costs to the City, programs supported by federal and state grants would presumably need to be excluded. These federal and state-supported programs include but are not limited to child care, housing assistance, and workforce development.

Legal Authority

Depending on the structure of the fee, there could be a number of legal issues. For example, assessing both a bad business fee and a fine for violating the minimum wage ordinance could be seen as being fined twice for the same offense. Proving that the employer offering low wages is the cause of employees seeking public assistance would leave the City open to legal challenge. Finally, many city services specifically for disadvantaged persons are funded using federal grant dollars, and would need to be exempted from any calculation of the cost of city services.

Other Cities

No other city has implemented a bad business fee. However, several major cities have municipal minimum wage ordinances.

City	Minimum Wage	Effective Year
Seattle	\$15/hour	2018
Los Angeles	\$15/hour	2020
San Francisco	\$15/hour	2018
Kansas City, MO	\$13/hour	2020
Chicago	\$13/hour	2019

Oakland, CA	\$12.25/hour	2015
Louisville, KY	\$9/hour	2017