

# OCCUPATIONAL TAX FOR BUSINESSES

8/20/15

## *Overview of Occupation Tax*

- *Local governments may classify businesses and practitioners and may assess different taxes on different classes of businesses and practitioners (OCGA § 48-13-10)*
- *There are four methods of classification:*
  - (1) Number of Employees*
  - (2) Profitability Ratio*
  - (3) Gross Receipts & Profitability Ratio*
  - (4) Flat Fee*
- *The Gross Receipts method is combined with the profitability ratio of the business or practitioner, as determined by nation-wide averages*
- *The Governing Authority of the City of Hiram is considering a change to its current method of classification from number of employees to gross receipts and profitability ratio.*

## *What research has the City done when considering this change?*

The City began collecting Gross Receipt data from local businesses in 2013. With this data, the staff has compiled an evaluation of our current method of calculating Occupation Tax versus all other methods. The staff continued the research by visiting other Cities and Counties, as well as consulting with experts from the Carl Vinson Institute of Government, to gather information useful in determining the most **equitable method** to calculate Occupation Tax.

A survey was done of surrounding cities. It was found that 50% use the gross receipts method; only 37.5% use number of employees. The City of Acworth and the City of Powder Springs have similar systems as the one we are proposing and all are consistent with that of surrounding communities that use gross receipts/profitability to calculate occupation tax.

According to the publication Taxing and Licensing Businesses and Occupations under Georgia Law, Carl Vinson Institute of Georgia<sup>1</sup>, "This method is the most appropriate for use by local taxing authorities as a general business tax system because it provides a structure that is more responsive to both horizontal and vertical equity issues...". (p. 74)

Schneider, Les A. and Sellers, Robert E. (1994). *A Move Toward Equity: Taxing and Licensing Businesses and Occupations Under Georgia Law*. Athens: Carl Vinson Institute of Georgia.

## *Frequently Asked Questions*

### **How are gross receipts determined?**

Per State Law, gross receipts is the total revenue collected before deductions but shall not include sales and use tax, proceeds from sales of goods or services delivered to/received by customers outside the State of Georgia, or payments to subcontractors with occupation tax certificates. If you have more than one location, you may allocate the gross receipts by location or if you cannot, you may divide your total gross receipts by the number of locations.

### **How would profitability be determined?**

Using the Statistics of Income (SOI) spreadsheet created by the IRS, we are able to evaluate profitability, as required by State Law.

<http://www.irs.gov/uac/SOI-Tax-Stats-Statistics-of-Income>

### **How would the Occupation Tax be determined for my business?**

Businesses would be divided into 2 classes based on profitability, using the first 2 digits of their NAICS code. Each class would have a set of fees, one class higher than the other. There would be a minimum fee for each class and the fee would increase as gross receipts increase based on a range of gross receipts.

### **What class would my business be in?**

Below are the proposed Classes. Net Income is derived from the SOI.

#### *Class 1*

NAICS	DESCRIPTION	NET INCOME
53	REAL ESTATE	\$63,790,636.00
23	CONSTRUCTION	\$54,976,326.00
62	HEALTH CARE	\$50,816,929.00
21	MINING	\$48,668,710.00
48-49	TRANSPORTATION & WAREHOUSING	\$40,213,643.00
72	ACCOMMOD/FOOD	\$36,984,197.00
56	ADMIN SUPPORT	\$29,230,091.00
11	AGRICULTURE	\$14,812,119.00
81	OTHER SVCS (LAUNDRY, AUTOMOTIVE)	\$12,670,673.00
71	ARTS & REC	\$9,073,068.00
22	UTILITIES	\$7,045,655.00
61	EDUCATIONAL	\$5,556,155.00

#### *Class 2*

NAICS	DESCRIPTION	NET INCOME
31-33	MANUFACTURING	\$577,700,836.00
52	FINANCE & INSURANCE	\$566,762,467.00
42	WHOLESALE	\$156,443,317.00
55	MGMT HOLDING COS	\$146,780,483.00
44-45	RETAIL	\$141,391,332.00
51	INFORMATION	\$110,302,572.00
54	PROF SVCS	\$101,795,683.00



## What would my fee be?

Below are the two proposed Fee Schedules

### Class 1

Gross Receipts	Fee
\$0-\$99,999	\$85
\$100,000-\$249,999	\$160
\$250,000-\$499,999	\$280
\$500,000-\$749,999	\$430
\$750,000-\$999,999	\$580
\$1,000,000-\$2,999,999	\$1,255
\$3,000,000-\$4,999,999	\$2,455
\$5,000,000-\$9,999,999	\$4,455
\$10,000,000-\$19,999,999	\$6,455
\$20,000,000-\$39,999,999	\$8,455
\$40,000,000-\$79,999,999	\$10,455
\$80,000,000 and above	\$12,455*
*plus \$200 per million or portion thereof	

### Class 2

Gross Receipts	Fee
\$0-\$99,999	\$90
\$100,000-\$249,999	\$178
\$250,000-\$499,999	\$318
\$500,000-\$749,999	\$493
\$750,000-\$999,999	\$668
\$1,000,000-\$2,999,999	\$1,455
\$3,000,000-\$4,999,999	\$2,855
\$5,000,000-\$9,999,999	\$4,855
\$10,000,000-\$19,999,999	\$6,855
\$20,000,000-\$39,999,999	\$8,855
\$40,000,000-\$79,999,999	\$10,855
\$80,000,000 and above	\$12,855*
*plus \$200 per million or portion thereof	

## Will my business information be protected?

Per State Law, gross receipt information is absolutely confidential and not subject to the Georgia Open Records Act.



217 Main Street  
Hiram, GA 30141

Phone: (770) 943-3726

## **How would this be implemented?**

- o Mayor and Council will hold a Public Hearing on September 1, 2015 at 6:30 pm
- o City of Hiram Administration Staff will hold Round Table discussions with businesses to review this information and answer specific questions: September 10<sup>th</sup>, 17<sup>th</sup> and 24<sup>th</sup>. Please RSVP for attendance.
- o Send Postcards out to the businesses notifying them of the Tax Rate method change: September 2015
- o Mayor and Council will hold a Public Hearing on October 6, 2015 at 6:30 pm
- o The decision to convert the Occupation Tax calculation method will be on the City Council Meeting Agenda on October 6, 2015.
- o Send out Renewal information with new Rate Table and additional information: November 2015
- o Assist and communicate with businesses

## **What input do I have?**

Your participation is encouraged during the two public hearings and/or at the round-table discussions.

**We're on the web!**  
**cityofhiramga.gov**

## **Point of Contact for information:**

**Melissa Chosewood, Occupation Tax & Permit Clerk @  
770-943-3726, x-2013 or mchosewood@hiram-ga.gov**