

CITY OF NAPA, CALIFORNIA
BUSINESS TAX APPORTIONMENT RULES AND REGULATIONS
Version 2007-01

Pursuant to the authority granted by Napa Municipal Code (“NMC”) Section 5.04.010.F, the following rules and regulations are hereby adopted as necessary or desirable for the implementation and enforcement of Chapter 5.04 of the NMC, the City’s Business License Ordinance. Pursuant to memorandum dated September 12, 2006, the City Manager expressly authorized the Finance Director to exercise all authority and responsibilities of the City Collector.

Overview: The purpose of this “Policy and Procedure: Business Tax Apportionment” (“Policy”) is to establish the procedures by which: (a) taxpayers of City business license taxes (referred to herein as “business license tax”) may request an apportionment of business license taxes to reflect activities within the City, and (b) the City will review and act on requests for apportionment of business license taxes.

The obligation to pay business license taxes is defined by NMC Chapter 5.04. NMC Section 5.04.120.A. generally provides that the obligation to pay business license taxes is not intended to conflict with exemptions established by State or Federal law. California Government Code Section 37101(b) provides, in pertinent part, that if the City imposes a business license tax “upon a business operating both within and outside the [City’s] taxing jurisdiction, the City shall levy the tax so that the measure of tax fairly reflects that proportion of the taxed activity actually carried on within the City.”

Procedure: When submitting an application for license renewal (whether quarterly or annually), the taxpayer shall submit all taxes it believes are due, and may simultaneously request that the gross receipts upon which its tax is based be reduced by up to six apportionment factors (outlined below), if those factors support a claim that a portion of the taxpayer’s gross receipts were generated by out-of-City business activity.

To apply for such a deduction, the taxpayer shall complete and attach the “Apportionment Questionnaire & Calculation Worksheet” (“Worksheet”) (Attachment “A”). For each transaction or category of transactions, the taxpayer may apply for a deduction up to the percentages set forth below, which transaction has an out-of-City component as summarized below. No request for apportionment shall be made unless it is supported by documentation in the taxpayer’s possession which establishes the facts set forth in the Worksheet. The application and Worksheet shall be submitted under penalty of perjury, and shall be subject to the audit procedures set forth in NMC Section 5.04.250. In no case shall the deduction from the taxpayer’s gross receipts be in an amount greater than **80%** of the total gross receipts, or in an amount greater than the percentages set forth in the following apportionment factors:

1. Up to **25%** for sale by agent/employee outside of City
2. Up to **20%** for sales office outside of City
3. Up to **15%** for warehouse location outside of City
4. Up to **10%** for service providers’ principal place of business outside of City
5. Up to **5%** for goods delivered or services performed outside of City
6. Up to **5%** for location of billing/collections office outside of City

The City Collector shall analyze the taxpayer's request and shall determine the extent to which the taxpayer has documented that the deductions are appropriate in order to fairly apportion gross receipts to in-City as opposed to out-of-City activities.

If the City Collector determines that the request for apportionment is not supported by the taxpayer's documentation, or is otherwise improper, the City Collector shall so inform the taxpayer in writing and shall inform the taxpayer of additional taxes due, together with interest and penalties thereon. Any such determination by the City Collector shall be subject to the appeal procedure set forth at Napa Municipal Code Section 5.04.060.