

# CITY OF PALO ALTO

# Business Tax Resource Guide

## INTRODUCTION

This guide aims to provide you with essential information about the business tax requirements and process in Palo Alto. Please note that while this guide is comprehensive, we advise you to consult with a qualified tax professional or contact the City of Palo Alto directly for specific questions or concerns.

## UNDERSTANDING THE PALO ALTO BUSINESS TAX (THE BASICS):

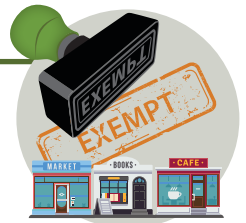
### Rate & Timing

- Monthly rate of 7.5¢/square foot for all non-exempt businesses
  - A \$500,000 annual tax cap, adjusted byCPI.
- Flat 2.5% increase annually applied to both the monthly rate and tax cap, beginning fiscal year 2026-2027.
- Continue existing BRC Program for all eligible businesses.
- Tax imposed Jan 2023 and is due Jan 1, 2024.
- Quarterly collections begin Jan 2024
- 50% of monthly rates for first 24 months; full tax rate Jan 2025
- 35-year sunset, ending 2058



### Exemption & Offsets

- Small businesses (first 10,000 square feet of all businesses)
- Grocery stores
- Transitory businesses operating less than 90 days in a calendar year.
- Residential space
- Non-profit organizations
- Banks or other financial institutions that pay the state in-lieu tax
- Some residential care or home childcare facilities
- Offsets: 1) hotel tax, 2) certain sales tax paid by a business (2:1, up to 75%), 3) vacant space.



## FILING YOUR BUSINESS TAX FORM

The City has partnered with Avenu Insights and Analytics to administer and collect the Business Tax. You can file and pay your Business Tax online or in-person.

### ONLINE



An online registration form will be available Oct. 2023 to submit all required information about your business.

### IN-PERSON



Go online to download the form and schedule an in-person appointment.

[www.cityofpaloalto.org/business-tax](http://www.cityofpaloalto.org/business-tax)

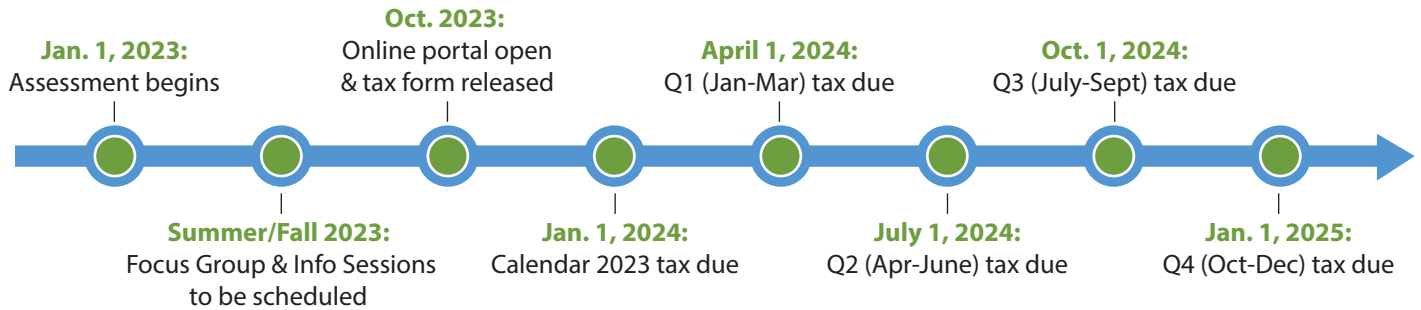


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## TIMELINE & PROCESS

Assessment of the Business Tax began on January 1, 2023. A single payment for the entire 2023 calendar year is due on January 1, 2024. The first quarterly collection is due April 1, 2024. The monthly Business Tax rate for calendar years 2023 and 2024 is 3.75¢/month.



## CALCULATING THE BUSINESS TAX

The City has developed the Business Tax Calculator as a tool to help business owners estimate their tax obligation. A few examples of how to calculate your business tax are below:

### EXAMPLE

**1** Warehouse that is 160,000 square feet, with no eligible exemptions (aside from first 10,000 sf) or tax offsets:

- Determine number of square footage subject to taxation:**  
160,000 sf – 10,000 sf = 150,000 sf
- Multiply square footage by 3.75¢, to arrive at monthly tax obligation:** 150,000 sf x 3.75¢ = \$5,625
- 2023 calendar year obligation, due Jan 1, 2024:**  
\$5,625 x 12 months = \$67,500
- Q1 2024 quarterly tax, due April 1, 2024:** \$5,625 x 3 months = \$16,875

### EXAMPLE

**2** Hotel that is 72,500 square feet, with no eligible exemptions (aside from first 10,000 sf), and qualifies for the TOT tax offset (2023 annual: \$35,000; Q1 2023: \$9,350):

- Determine number of square footage subject to taxation:**  
72,500 sf – 10,000 sf = 62,500 sf
- Multiply square footage by 3.75¢, to arrive at monthly tax obligation:** 62,500 sf x 3.75¢ = \$2,343.75
- 2023 calendar year obligation, due Jan 1, 2024:** \$2,343.75 x 12 months - \$35,000 = \$0
- Q1 2024 quarterly tax, due April 1, 2024:** \$2,343.75 x 3 months - \$9,350 = \$0

### EXAMPLE

**3** Retail business that is 14,000 square feet, with no eligible exemptions (aside from first 10,000 sf) or tax offsets:

- Determine number of square footage subject to taxation:**  
14,000 sf – 10,000 sf = 4,000 sf
- Multiply square footage by 3.75¢, to arrive at monthly tax obligation:** 4,000 sf x 3.75¢ = \$150
- 2023 calendar year obligation, due Jan 1, 2024:**  
\$150 x 12 months = \$1,800
- Q1 2024 quarterly tax, due April 1, 2024:** \$150 x 3 months = \$450

Try out the Business Tax Calculator at  
[www.cityofpaloalto.org/businesscalculator](http://www.cityofpaloalto.org/businesscalculator)

### CONTACT US

#### City of Palo Alto Business Tax Support

- Email:** [businessstax@cityofpaloalto.org](mailto:businessstax@cityofpaloalto.org)
- Phone:** (650) 329-2317
- Website:** [www.cityofpaloalto.org/businessstax](http://www.cityofpaloalto.org/businessstax)

### ONLINE RESOURCES

- Request a Virtual Appointment (early Sept 2023)
- Online Business Tax Calculator
- Download & Review Business Tax Administrative Regulations (Coming Soon)

