

**COUNTY OF SACRAMENTO  
CALIFORNIA**

For the Agenda of:  
September 13, 2007

To: Board of Supervisors

From: Department of Finance  
Environmental Management Department

Subject: Report Back On Impact Of Veteran's Exemption From Fees (5/16/07, Item 3)

Contact: Linda Pittman, Assistant Tax Collector, 874-6648  
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**Overview**

On May 16, 2007, as part of the 2007-08 Proposed Budget hearings, the Board requested the Department of Finance and the Environmental Management Department review the impacts of the existing business license/permit fee waiver provisions of Business and Professions Code 16102, which waives license or permit fees for veteran-owned businesses selling tangible goods, and provide an estimate of the impact of extending the waiver to include veteran-owned businesses that provide services only.

**Recommendations**

Receive and file this report.

**Measures/Evaluation**

None – information only.

**Fiscal Impact**

None – information only.

**BACKGROUND:**

Currently, under State law, (Business & Professions Code section 16102) honorably discharged veterans that sell goods are exempt from any fees for business licenses or permits. The State law in question was originally written in the early 1900s and has not been substantially modified since then. The section is very brief:

*16102 Every soldier, sailor or marine of the United States who has received an honorable discharge or a release from active duty under honorable conditions from such service may hawk, peddle and vend any goods, wares or merchandise owned by him, except spirituous, malt, vinous or other intoxicating liquor, without payment of any license, tax or fee whatsoever, whether municipal, county or State, and the board of supervisors shall issue to such soldier, sailor or marine, without cost, a license therefore.*

The law establishes that veterans may receive a business license or business-related permit without a fee, but only if several requirements are met:

- The veteran must be honorably discharged;
- The business must be solely owned by the veteran (County Counsel opined that the exemption could extend to husband-wife ownership, but partnerships or corporations do not qualify);
- The business must sell tangible goods only (not services);
- The business may not sell alcoholic beverages.

In part because the changing nature of our economy, we now have a preponderance of service businesses over tangible goods sellers, limiting the number of veteran-owned businesses that qualify.

Both the business license program in the Department of Finance, and the various programs administered by the Environmental Management Department, are provided as a fee-for-service, and the programs are expected to cover all costs. Any waivers of fees without a corresponding reduction in service means that the costs of these licenses/permits are borne either by the remaining licensees, or the County General Fund.

## **DISCUSSION**

### **Impact of Expanding Veterans' Exemptions**

Department of Finance: Attachment One provides analysis of the impact of extending the existing veteran's fee waiver to service providers seeking a business license. The Department of Finance currently has 139 active business licenses whose fees were waived under State law, at a cost of approximately \$20,850 in waived fees. Extending the waiver to service businesses could increase the estimated General Fund impact by an additional **\$177,580**.

Environmental Management Department (EMD): Currently under the existing law, only the Environmental Health Division within EMD contains a program where veteran's fees have been waived for tangible goods sold. In Fiscal Year 2006-07, the Environmental Health Division waived \$13,003 in permit fees for 43 qualified veterans. The waived permit fees represent 17.6% of the total revenue in a specific area of the Food Program.

Due to the limited number of veteran exemptions processed, the Environmental Management Department has not tracked the total number of veterans that apply for permits; therefore, only rough estimates were available to project the impacts of an expansion of the waiver. To consider the effects of an expansion of the fee waiver to include service providers, a review of the revenue for the remainder of the programs in the Environmental Health Division and all the programs in both the Hazardous Material Division and the Water Protection Division was made to determine what areas could potentially contain fee waivers. This review determined that approximately \$12,928,066 in departmental revenue could be subject to this expanded law. A conservative estimate of 15% (approximately the same percentage of exemption found in the Food Program) was then applied to the departmental revenue which results in a potential reduction in revenue of

**\$1,939,209** for Fiscal Year 2007-08 in the Environmental Management Department. The actual revenue could be greater or less, but could not be accurately determined with this basic data.

### **Additional Legal Issues**

While State law mandates that qualified veterans have their business license/permit fees waived, any expansion of this waiver at the County level would have to be weighed in light of the fee-for-service nature of the programs and whether such a waiver would constitute imposing a "tax" on remaining licensees by having them cover the cost of the administrative and regulatory effort involved in the license/permit process. In the past, County Counsel has expressed concerns regarding the legal standing of the business license program if the fees from one business are used to underwrite another, and a similar concern might extend to programs under the Environmental Management Department.

The revenue currently lost due to waivers for veterans has been minimal and in any case is a long standing mandate in State law; however, should the Board choose to extend the waivers to service providers the County would experience a significantly higher loss of revenue. The waivers would require a backfill from the General Fund or an increase in fees for other business permits.

Respectfully submitted,

APPROVED:  
TERRY SCHUTTEN  
County Executive

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Director of Finance

By: \_\_\_\_\_  
MARK NORRIS, Administrator  
Internal Services Agency

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Director of Environmental Management

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PENELOPE CLARKE, Administrator  
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Attachment

Attachment 1

Sacramento County Department of Finance  
Veteran's Exemption Fiscal Analysis

Number of businesses claiming veteran ownership (as of May, 2007):	<u><u>1,857</u></u> (1)
Number of exemptions granted under current law (Business and Professions Code 16102):	139
Number not qualified for exemption under current law due to ownership criteria:	347
Number not qualified for exemption under current law due to alcohol sales:	5
<b>Number not qualified for exemption under current law due to non-tangible goods criteria:</b>	<b>1,366</b>
	<u><u>1,857</u></u>
General Fund impact of potentially exempt veterans under current law: (139 @ \$150.00/license)	<u><u>\$ 20,850.00</u></u> (2)
General Fund impact of potentially exempt veterans under extended fee waiver: (1,366 @ \$130.00/license)	<u><u>\$ 177,580.00</u></u> (3)

- (1) Number of active business licenses claiming veteran ownership as of May, 2007.
- (2) Current fee-exempt veteran population selling tangible goods require a \$150.00 Tier 2 license.
- (3) Potential fee-exempt veteran population providing services require a \$130.00 Tier 1 license.