

**COUNTY OF SACRAMENTO  
CALIFORNIA**

To: Board of Supervisors  
From: Department of Finance  
Subject: Report Back On General Business License One-Half Fee Reduction For Qualifying Veterans

Supervisory  
District: All

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

**BACKGROUND:**

Under State law, (Business and Professions Code section 16102) honorably discharged veterans that sell tangible goods are exempt from any fees for business licenses. 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 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 considers that the exemption extends to husband-wife ownership, under community property laws, but partnerships or corporations do not qualify);
- The business must sell tangible goods only (not services); and
- 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 sellers of tangible goods, limiting the number of veteran-owned businesses that qualify for the exemption under Business and Professions Code 16102.

On September 13, 2007, as part of the Fiscal Year 2007-08 Final Budget hearings, the Board approved a one-half General Business License fee reduction for qualifying veteran-owned business applicants, with a corresponding revenue backfill of \$88,790 to the Department of Finance from Economic Development. That reduction was codified by ordinance in November,

2007. The reduction was limited to General Business Licenses (which are businesses based in the unincorporated area), required sole or husband-wife ownership, and honorable discharge of the veteran. The ordinance extended a one-half fee reduction to veteran-owned service businesses that are currently excluded under State law. The reduction was retroactive to new and renewing General Business Licenses received on or after September 14, 2007, and “sunssets” on June 30, 2008.

**DISCUSSION**

The period covered by the reduction is approximately three-quarters of the Fiscal Year 2007-08. From September 14, 2007 to April 22, 2008, we processed 5,345 new and renewing General Business Licenses. The following is the breakdown of the 236 licenses held by veterans:

<b>General Business License Applications Received From Veterans:</b>	<b>Number</b>
Veterans fully exempt under State law (B&P 16102)	26
Veterans not qualified for exemption under State law B&P 16102 or ordinance	28
Veterans potentially qualified for one-half fee reduction	182
<b>Total Number of Licenses held by Veterans</b>	<b>236</b>

The 182 remaining licensees were contacted for their discharge information, and refunds were processed as the information was received. Total potential refunds, assuming all applicants respond with proof of honorable discharge, is estimated at \$10,556 to date. If the current level of activity continues through the remainder of Fiscal Year 2007-08, the estimated total amount of fee reduction under this ordinance is \$13,572.

The fee reduction ordinance sunsets on June 30, 2008. If the one-half fee reduction is authorized, the estimated amount will be approximately \$20,000 for Fiscal Year 2008-09.

Respectfully submitted,

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DAVE IRISH  
Director of Finance

APPROVED:  
TERRY SCHUTTEN  
County Executive

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