

COMMITTEE MEMORANDUM

TO: Members of the Finance & Economic Resiliency Committee

FROM: Jimmy L. Morales, City Manager

DATE: December 18, 2020

SUBJECT: **PRO-RATION OF BTR FEES FOR LIQUOR LICENSES DURING THE REMAINDER OF THE COVID-19 STATE OF EMERGENCY**

Background

This item was referred to the Finance & Economic Resiliency Committee (FERC) at the November 18, 2020 City Commission meeting by Vice Mayor Meiner. The purpose of the referral is to discuss the potential pro-ration of FY 2021 BTR fees for businesses serving alcohol from midnight to 2 am or midnight to 5 am due to the mandatory midnight curfew currently in effect.

Analysis

BTR's are issued annually in accordance with Florida Statutes Chapter 205, as well as, locally governed by Article V, Section 102 of the Code of the City of Miami Beach. BTR's typically generate approximately \$5 million a year of revenue to the General Fund.

BTR's are modular in that businesses that wish to serve alcohol from midnight to 2 am or from midnight to 5 am are required to obtain an additional category to their BTR. The category for midnight to 2 am costs \$1,457 and the category for midnight to 5 am costs \$4,847. As shown in the table below, there are 129 current BTR's for the category for midnight to 2 am that generate \$187,953 and there are 175 current BTR's for the category for midnight to 5 am that generate \$848,225 of revenue to the City. The combined amount is \$1,036,178 which represents approximately 20% of total BTR revenues to the City.

Category	Amount of BTRs	Costs	Total
Midnight to 2 am Alcohol	129	\$1,457	187,953
Midnight to 5 am Alcohol	175	\$4,847	848,225
		Total	\$1,036,178

Chapter 205 states that Business Tax Receipts are due and payable on or before September 30th of each year and expire on September 30th of the succeeding year. Typically, the City mails and emails its 7,000 businesses their annual renewal notices in the Summer preceding the September 30th deadline.

The following changes have been made for the FY 2021 annual BTR renewal process to help assist the City's businesses given the challenges from COVID-19.

- Extending the FY 2020 BTR expiration dates from September 30, 2020 to December 31, 2020 (providing businesses an additional three months of economic recovery).

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- Providing an option for businesses to split the FY 2021 BTR renewal from one payment to two payments and extending the due dates.
 - Payment 1 due: December 31, 2020 (half of the renewal fee)
 - Payment 2 due: March 31, 2021 (half of the renewal fee)

Staff has surveyed other municipalities regarding any changes that have been implemented to assist businesses affected by the COVID-19 emergency measures. The results are as follows:

- Miami: No extensions and/or refunds. BTRs not paid by September 30th, 2020 are subject to penalties.
- Hialeah: Extended the due date until October 31st, 2020. Gave businesses one extra month past the September 30th, 2020 deadline to pay their FY 2021 tax in full. Anything paid after the one-month extension is subject to late penalties.
- Fort Lauderdale: Extended the due date by one week. Gave businesses one extra week past the September 30th, 2020 deadline to pay their FY 2021 tax in full. Anything paid after the one-week extension is subject to late penalties.
- Hollywood: No extensions and/or refunds. BTRs not paid by September 30th, 2020 are subject to penalties.
- Orlando: Extended the due date by two weeks. Gave businesses two extra weeks past the September 30th, 2020 deadline to pay their FY 2021 tax in full. Anything paid after the two-week extension is subject to late penalties.

Given that many non-essential businesses experienced challenges from COVID-19 in FY 2020, the Administration does not recommend making any credits or refunds for the last fiscal year. In FY 2021, however, most businesses are operating under Stage 3 except those which normally serve alcohol after midnight due to the current midnight curfew. At this time, we are currently about 3 months into the new fiscal year and it is not clear when the midnight curfew may be lifted or if it would change to 2 am or some other time before 5 am.

If the City Commission wishes to provide relief to businesses which would normally pay for the additional BTR categories to serve alcohol after midnight, the Administration recommends the following:

- For businesses that have already paid all or 50% of their BTR per the billing deadlines, the City would send a pro-rated refund to the business based on the date that the emergency orders affecting their operations is lifted. For example, if businesses were allowed to operate after midnight starting on February 1, 2021 then a business would receive a refund for 4 months of the fiscal year. In the unlikely event that businesses are not allowed to operate after midnight by the end of the fiscal year, the entire applicable portion of the BTR bill would be refunded.
- For businesses that choose to not pay for the portion of their BTR allowing them to serve alcohol after midnight, they would need to contact the City once the emergency orders allow them to operate to activate that portion of their BTR at a pro-rated rate through the end of the fiscal year to avoid code compliance issues once they begin to operate after midnight.

The fiscal impact of this proposed measure is difficult to quantify given the uncertainty regarding the length of time the current curfew will be in place. Given that a third of the fiscal year has already elapsed, the minimum amount of lost revenue would be approximately \$250,000 and could be as high as approximately \$1 million if the midnight curfew is in place through the end of the fiscal year (September 30th).

Conclusion

The City of Miami Beach is already providing more relief related to its BTR process for local businesses than any other city surveyed. If the City Commission wishes to provide relief to businesses which would normally pay for the additional BTR categories to serve alcohol after midnight, the Administration recommends that for businesses that have already paid all or 50% of their BTR per the billing deadlines, the City would send a pro-rated refund to the business based on the date that the emergency orders affecting their operations is lifted. For businesses that choose to not pay for the portion of their BTR allowing them to serve alcohol after midnight, they would need to contact the City once the emergency orders allow them to operate to activate that portion of their BTR at a pro-rated rate through the end of the fiscal year to avoid code compliance issues.

JLM/JW