

**CITY OF LOS ANGELES
OFFICE OF FINANCE
TAX AND PERMIT DIVISION
CITY CLERK 'S RULING NO. 17 (NEW SERIES):
PERSONS LEASING OR RENTING TANGIBLE PERSONAL PROPERTY**

Reference: Section 21.192 Los Angeles Municipal Code.

PART I - PLACE OF BUSINESS IN LOS ANGELES

A person who owns, leases, occupies or otherwise maintains within the City of Los Angeles a place or premises from which he engages in the business of leasing or renting tangible personal property shall be subject to tax under the provisions of Section 21.192 Los Angeles Municipal Code, measured by 100% of gross receipts attributable to such business activities, except as otherwise provided for in this ruling.

LEASE OR RENTAL ACTIVITIES CARRIED ON WITHIN AND WITHOUT THE CITY OF LOS ANGELES

A person who owns, leases, occupies or otherwise maintains within the City of Los Angeles a place or premises upon which or from which he engages in the business of leasing or renting any tangible personal property and whose gross receipts from such leases or rentals are attributable to business activities carried on within the City and activities carried on outside the City, may apportion such gross receipts and include in the measure of tax those gross receipts directly attributable to activities carried on within the City. In making a calculation of gross receipts to be reported as the measure of tax, the person may deduct from 100% of gross receipts the percentage of gross receipts deemed to be attributable to lease or rental activities carried on by such person outside the City of Los Angeles. For the purpose of this calculation, the person may deduct, to the extent appropriate, but in no case in an amount greater than, the following percentages of those leases or rentals, or particular categories of leases or rentals, on which the corresponding elements of the lease or rental process are performed or exist at a place or location outside the City:

1. Up to **20%** for the location where the lease or rental is negotiated or solicited by the taxpayer, through the physical presence of himself, his employees, or his agents.
2. Up to **20%** to the office which serves as the base of operations for the lease or rental activities, or if there is no such office anywhere, to the office from which the lease or rental activities are directed or controlled.
3. Up to **10%** for the location where lease or rental agreements or contracts are accepted or approved. Such acceptance or approval shall be deemed to take place at the location of the office specified in item 2 above, unless there is clear evidence that a binding acceptance or approval occurs elsewhere.
4. Up to **30%** where the property is used outside the City by the lessee. Where the property is used both within and outside the City, the deductible percentage of gross receipts under this subparagraph 4 may be determined as follows:
30% where the use outside the City is 75% or more of total usage.
20% where the use outside the City is 50% or more, but less than 75%, of total usage.

10% where the use outside the City is 25% or more, but less than 50%, of total usage.

No deduction shall be allowed where use outside the City is less than 25% of total usage. In making a determination of the percentage of use outside the City, total usage shall be apportioned on a time usage basis. If such time usage basis does not fairly reflect the proportion of usage outside the City, the taxpayer may make application to the Office of Finance for approval to use any other appropriate method.

For the purpose of determining that property is used outside the City, the Office of Finance may consider any of the following:

- (a) Installation of the property at a location outside the City.
- (b) Provision in the lease or rental agreement that use of the property is to take place outside the City.
- (c) A certification by the lessee to the lessor that use of the property will occur outside the City.
- (d) Any other adequate evidence which may be furnished to the Office of Finance in order that he may make such a determination.

5. Up to 20% for the location where the property leased or rented is regularly serviced by the taxpayer or his employees during the duration of the lease or rental agreement. This deduction allowance shall not apply where servicing activities are performed by persons other than the taxpayer himself or his employees.

PART II - NO FIXED PLACE OF BUSINESS IN LOS ANGELES

A person who does not own, lease, occupy or otherwise maintain within the City of Los Angeles a place or premises upon which or from which he engages in business, shall nevertheless be deemed to be engaged in business within the City of Los Angeles when, through the physical presence of himself, his employees, his agents, or his equipment, he carries on activities within the City of Los Angeles which are designed to solicit, promote, stimulate or otherwise encourage the lease or rental of tangible personal property. The measure of tax shall be the TOTAL amount calculated by applying each of the following percentages to gross receipts from those leases or rentals, or particular categories of leases or rentals, on which the corresponding elements of the lease or rental process occur within the City of Los Angeles:

- (a) 20% of gross receipts from all leases or rentals to lessees within the City, where the lease or rental is negotiated or solicited within the City by the taxpayer, his employees, or his agents.
- (b) Up to 30% of gross receipts from all leases or rentals to lessees within the City, where the property is used within the City by the lessee. Where the property is used both within and outside the City, the taxable percentage under this subparagraph (b) shall be determined as follows:

30% where the use within the City is 75% or more of total usage.

20% where the use within the City is 50% or more, but less than 75%, of total usage.

10% where the use within the City is 25% or more, but less than 50%, of total usage.

No taxable percentage shall apply where the use within the City is less than 25% of total usage.

In making a determination of the percentage of use within the City, total usage shall be apportioned on a time usage basis. If such time usage basis does not fairly reflect the proportion of usage within the City, the taxpayer may make application to the Office of Finance for approval to use any other appropriate method. For the purpose of determining that property is used within the City, the Office of Finance may consider any of the following:

- (1) Installation of the property at a location within the City.
 - (2) Provision in the lease or rental agreement that use of the property is to take place within the City.
 - (3) Any other information or facts inherent to particular leases or rentals which make it apparent that the property is used within the City.
- (c) 20% of gross receipts from all leases or rentals to lessees within the City of Los Angeles, where the property is regularly serviced by the lessor or his employees during the duration of the lease or rental agreement. This subparagraph shall not apply where servicing activities are performed by persons other than the lessor himself or his employees.

PART III - PROVISION FOR MODIFICATION OF APPORTIONMENT FORMULA

Any person who believes that the percentage of gross receipts determined to be subject to tax under Part I or Part II of this ruling is greater than the facts justify, may apply to the Office of Finance for a modification of the percentage. Such application shall be made in writing to the Office of Finance and shall be accompanied by a statement of facts supporting the basis for such modification. The Office of Finance shall make his determination on the basis of evidence presented to him, and such other evidence as he may have, may request from the taxpayer, or may discover from other sources. The Office of Finance shall increase, reduce, or allow to stand the percentage originally determined, depending on the facts. Should the Office of Finance be of the opinion that the percentage of gross receipts determined to be subject to tax under Part I or Part II of this ruling is less than the facts justify in any particular case, he shall make such investigation as is necessary to ascertain the facts and revise the percentage, if required. Any variation from the percentages provided for under this ruling shall be approved in writing by either the Chief or Assistant Chief of the Tax and Permit Division.

I, Rex E. Layton, City Clerk of the City of Los Angeles, pursuant to authority granted me in Section 21.15(h) of the Los Angeles Municipal Code, do hereby adopt and promulgate the foregoing rule and regulation pertaining to the collection of Los Angeles Business Taxes and enforcement of the provisions of Article 1, Chapter 2 of the Los Angeles Municipal Code.

s/Rex E. Layton

REX E. LAYTON, CITY CLERK

APPROVED:

BURT PINES, CITY ATTORNEY

By/Thomas C. Bonaventura

Assistant City Attorney

Date July 3, 1973