

City of Los Angeles



INFORMATION
BUSINESS AND
OTHER TAXES



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Director of Finance

Administered by the
Office of Finance

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FOREWORD

The Office of Finance administers the City's tax laws, issues tax registration certificates and permits, and collects City taxes and fees. Most of the funds go into the City's General Fund to support essential services such as those provided by the Police and Fire Departments.

The Office of Finance is also an information resource for businesses and individuals relative to the City's tax and fee collection program. This booklet presents, in summary form, many of the City's current tax and fee requirements.

While the booklet is periodically updated, changes in tax laws and the various regulatory statutes may have occurred since its most recent printing. Changes in how the laws are applied may impact the obligation businesses and individuals have when conducting business within the City. The Office can assist you with more detailed information specifically tailored to the requirements of an individual business.

An additional resource for business assistance is the Mayor's Office of Economic Development. General information may be obtained by calling (800) 472-2278.

The goal of my Office is to provide service that is responsive to the needs of the diverse business community within the City. I encourage businesses to take advantage of the resources of my Office to help create and retain a strong and economically healthy business environment in the world's 12th largest economy.

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GENERAL INFORMATION NOTICE

This booklet provides basic information pertaining principally to the various business activities involving the payment of the Business Tax to the City of Los Angeles, Office of Finance.

Although some requirements of other governmental agencies are stated herein, the variations and complexities of various businesses are such that a complete disclosure of the requirements of all governmental agencies is impossible in booklet form. Therefore, the Office of Finance cannot accept responsibility for information not disclosed.

Due to the large number of various business activities described under Sections 21.53 to 21.197, inclusive, of the Business Tax Ordinance, it is not practical to list each separately.

To assist you in using this booklet, note the following general information:

- All sales of goods, wares or merchandise at wholesale, unless otherwise listed, are taxed under Section 21.166 of the Business Tax Ordinance.
- All sales of goods, wares or merchandise at retail, unless otherwise listed, are taxed under Section 21.167 of the Business Tax Ordinance.
- All contracting in connection with real property are taxed under Section 21.188 of the Business Tax Ordinance.
- All professions, trades, occupations, performed as an independent contractor and not as an employee of another, unless otherwise specifically listed, are taxed under Section 21.190 of the Business Tax Ordinance.

PURPOSE OF THE TAX

The City of Los Angeles Business Tax is a privilege tax imposed for revenue purposes only. No attempt is made through the business tax to regulate the conduct of businesses.

CONFIDENTIAL CHARACTER OF INFORMATION OBTAINED

The provisions of Section 21.17 of the Business Tax Ordinance, subject to certain exceptions, make it unlawful for the Office of Finance or any person having an administrative responsibility to make known in any manner whatever the business affairs, operations or information required of any person filing returns or paying taxes under the provisions of the Los Angeles Municipal Code.

WHO IS REQUIRED TO PAY THE TAX?

Every person ⁽¹⁾ who engages in any business ⁽²⁾ within the City of Los Angeles is required to obtain the necessary Tax Registration Certificate(s) and make payment of the business tax.

Certain organizations, which are conducted solely for charitable or religious purposes, may be entitled to receive tax-exempt registration certificates upon application and qualification. The payment of tax is not required for engaging in a business activity when such payment of tax would be in violation of the Constitution of the United States or the Constitution of the State of California. Please refer to Sections 21.02, 21.22 and 21.190 of the Business Tax Ordinance for more detailed information.

VENDOR REGISTRATION

There are vendors who conduct business with the City of Los Angeles in a manner that would not subject them to a business tax liability. An example is a publishing company in New York, which, as a result of a newspaper ad, accepts orders by telephone and ships the books by common carrier to the City of Los Angeles. After investigation and confirmation by the Office of Finance, Revenue Management Division, businesses that are not required to pay a business tax may be issued a Vendor Registration Number (VRN). The VRN accounts will be reviewed on an annual basis to determine if their business activities have changed in any manner that would reclassify them to a taxable status. Please call the Revenue Management Mail-In Unit at (213) 978-1521 for more detailed information.

BUSINESS REGULATION IN LOS ANGELES

The issuance of a Tax Registration Certificate and the payment of the business tax do not authorize the conduct or continuance of any illegal business or of a legal business in an illegal manner within the City of Los Angeles. The City has enacted regulatory ordinances in areas such as zoning, building safety, police, fire, hazardous material disclosure, sanitation, health, etc., which must be complied with in order to lawfully conduct a business within the City. Failure to comply with these regulatory ordinances may result in legal action being taken against the taxpayer.

(1) "**Person**" shall mean any individual, receiver, administrator, executor, assignee, trustee in bankruptcy, trust, estate, firm, partnership, joint venture, club, company, joint stock company, business trust, domestic or foreign corporation, association, syndicate, society, or any group of individuals acting as a unit, whether mutual, cooperative, fraternal, nonprofit or otherwise.

(2) "**Engaged in business**" shall mean the conducting, operating, managing or carrying on of a business, whether done as owner, or by means of an officer, agent, manager, or employee. A person shall be deemed engaged in business within the City if 1) such person or his employee maintains a fixed place of business within the City for the benefit or partial benefit of such person, or 2) such person or his employee owns or leases real property within the City for business purposes, or 3) such person or his employee regularly maintains a stock of tangible personal property in the City for sale in the ordinary course of business, or 4) such person or his employee regularly conducts solicitation of business within the City, or 5) such person or his employee performs work or renders services in the City on a regular and continuous basis involving not less than seven working days per year for all such employees, or 6) such person or his employee utilizes the streets within the City in connection with the operation of motor vehicles for business purposes. The foregoing specified activities shall not be a limitation on the meaning of engaged in business.

Businesses requiring Police and/or Fire Permits may file an application with the Office of Finance, but the approval or denial will be made by the Police Department or the Fire Department. Please refer to pages 29 through 24 of this booklet for more detailed information.

The Zoning Section of the Department of Building and Safety determines whether a business may be conducted at a specific location.

Businesses such as restaurants and massage parlors are required to obtain health permits, which are administered by the County Health Department.

Many businesses are also subject to regulation by State agencies, such as the State Contractor's License Board and the Department of Consumer Affairs. Sellers of goods, wares and merchandise at wholesale and retail must obtain a State Seller's Permit issued by the State Board of Equalization.

LEGAL ACTION THAT MAY BE TAKEN FOR NON-COMPLIANCE WITH THE BUSINESS TAX ORDINANCE

Failure to obtain the required Tax Registration Certificate and pay all business taxes due is a misdemeanor unless the violation or failure is declared to be an infraction. Any violation that is designated as a misdemeanor, may be charged by the City Attorney as either a misdemeanor or an infraction. Violations designated as a misdemeanor shall be punishable by a fine of not more than \$1,000.00 or by imprisonment in the County Jail for a period of not more than six (6) months, or by both fine and imprisonment. Violations designated as an infraction shall be punishable by a fine of not more than \$250.00 for each violation.

Each person shall be guilty of a separate offense for each and every day during any portion of which any violation of any provision of this code is committed, continued or permitted by such person, and shall be punishable accordingly. Please refer to Section 11.00 (m) of the Los Angeles Municipal Code and Sections 21.03, 21.12, 21.16, 21.19, and 21.20 of the Business Tax Ordinance for complete information.

WHISTLEBLOWER PROGRAM

The Whistleblower Program provides rewards for information resulting in the recovery of business taxes. The amount of reward shall not exceed 10% of the additional taxes, interest and penalties, which are recovered as a result of the information provided. No reward shall be paid if the Director of Finance determines that the recovery was so small as to call for a reward of less than \$50.00. For more information, please contact one of the offices listed at the end of this booklet or visit our website at www.lacity.org/finance.

HOW TO APPLY FOR A BUSINESS TAX REGISTRATION CERTIFICATE

The taxpayer may appear in person at the Main Office or at any of the branch

offices listed at the end of this booklet. In many cases, except where Police Permits are required, the taxpayer may file an application by mail after obtaining instructions from the Office of Finance regarding the information, which must be submitted to establish an account. Applications can also be obtained from our website at www.lacity.org/finance.

The Office of Finance requires that the taxpayer provide the following:

- A. Full legal name of the business owner(s);
- B. Fictitious/doing business as (D.B.A.) name of the business, if any;
- C. Business address (no P.O. Boxes);
- D. Mailing address, if different from the business address;
- E. Business owner's Social Security Number (SSN) if the taxpayer is not required to report employment taxes or give tax statements to employees;
- or**
- F. Business owner's Federal Employer Identification Number (FEIN) if the taxpayer is required to report employment taxes or give tax statements to employees;
- G. Description of business activity (ies); and
- H. Start date of business activity (ies).

HOW IS THE AMOUNT OF TAX DETERMINED?

BUSINESS TAX

Most business taxes are based on gross receipts. For those Business Tax Classifications, the tax rate is a specified amount per \$1,000 of taxable gross receipts with a minimum amount due for each tax classification. Some business taxes are based on a flat rate per tax period and others are based on the number of vehicles, machines, devices or equipment used, the number of employees, square footage of the area, seating capacity, or the scale of fees collected.

PAYROLL EXPENSE TAX

Effective January 1, 2002, the Payroll Expense Tax has been repealed. The Payroll Expense Tax had been temporarily suspended from January 1, 2000 through December 31, 2001.

IS A SEPARATE REGISTRATION CERTIFICATE REQUIRED FOR EACH BUSINESS LOCATION?

Yes. Section 21.06, Article 1, of the Los Angeles Municipal Code requires a separate registration certificate for each type of business activity and for each business location in the City of Los Angeles. However, a warehouse or distributing plant used in conjunction with a business in the City is not regarded as a separate business location. The law provides for an exception when the business locations are outside the City of Los Angeles. In this instance, only one registration certificate is required for each type of business for all locations, which are outside the City.

CAN A REGISTRATION CERTIFICATE BE TRANSFERRED FROM ONE

OWNERSHIP TO ANOTHER?

Section 21.11, Article 1, of the Los Angeles Municipal Code states that a registration certificate may be transferred in those cases where the real or ultimate ownership of the business after the transfer is substantially similar to the ownership existing before the transfer. However, when the change in business ownership, such as by sale, is substantially different, an application would have to be made for a new Tax Registration Certificate.

CAN A REGISTRATION CERTIFICATE BE TRANSFERRED TO A NEW LOCATION?

Yes. Upon your notification to the Office of Finance that you have moved and are conducting your business at a new location, an amended Tax Registration Certificate will be issued to you.

WHEN MUST BUSINESS TAXES BE PAID?

NEWLY ESTABLISHED BUSINESS

For a newly established business, only a minimum tax is due on or before the start of business and should be paid at the time of application. An additional tax may be due at the end of the tax period if the gross receipts generated during the first period of operations exceeded the amount of gross receipts covered by the minimum tax previously paid.

NEW BUSINESS EXEMPTION

Businesses that establish a new fixed location within the City and are not owned in whole or in part by a person that was engaged in business in the City in the preceding tax year can qualify for a new business exemption (under Section 21.30 of the Los Angeles Municipal Code) for up to the first two years of operation. A qualifying new business will not be required to pay the applicable minimum tax or any additional business tax up to the first two years of operation if its taxable gross receipts are less than \$500,000 per year. This tax exemption **does not include the following:**

- 1) Construction businesses as defined in Section 21.30 b.1 of the L.A.M.C.;
- 2) Film producers as defined in Section 21.109 of the L.A.M.C.;
- 3) Any business, which was engaged in business in the City of Los Angeles during the preceding tax year and is engaged in business in the City during the current tax year.

Please note: Filing must be made in a timely manner in order to qualify for this exemption.

SMALL BUSINESS EXEMPTION

Effective January 1, 2001, a small business with \$5,000.00 or less of taxable and nontaxable gross receipts within and out of the City, may qualify for a Small Business Exemption. For further information on this exemption and requirements to qualify, contact one of the offices listed at the end of this

booklet.

ESTABLISHED BUSINESS

Businesses currently holding a valid Tax Registration Certificate will receive renewal statement(s) prior to the next tax period. If a renewal statement is not received in the mail, a timely return must still be filed to avoid payment of interest and penalty.

Due Dates for the following tax periods are:

A. ANNUAL BUSINESS TAXES

Due January 1 of each year. Delinquent if not paid before March 1.

B. QUARTERLY BUSINESS TAXES

These are due on January 1, April 1, July 1 and October 1 of each year. In each case, delinquent if not paid before February 1, May 1, August 1 and November 1.

C. MONTHLY BUSINESS TAXES

These are due on the first day of each month and delinquent if not paid before the first day of the following month, with the exception of the Parking Occupancy Taxes and Transient Occupancy Taxes. Parking Occupancy Taxes and Transient Occupancy Taxes are due on or before the 25th day of the month following the close of each calendar month.

D. DAILY BUSINESS TAXES

These are due on each day of the activity and delinquent the following day.

FISCAL YEAR FILING

Effective January 1, 2000, taxpayers are given an option to report their tax measures based on their business' fiscal or calendar year.

SINGLE PRIMARY TAX CLASSIFICATION ELECTION

Effective January 1, 2004, a taxpayer with multiple classifications whose rates are based on annual gross receipts, may elect to have all of the business' taxable annual gross receipts reported and taxed at the rate applicable to the activity constituting at least 80% of the entire annual gross receipts, after any apportionments. Any business activities taxed other than on the basis of annual gross receipts must continue to be reported separately.

INTERCOMPANY TRANSFERS

That portion of a business' gross receipts attributable to amounts received from or charged to closely held or related companies is now exempt from business tax. Ownership interests in the related or closely held companies must be at least 80% in common in terms of both value and voting power.

REPORTING ON A CASH OR ACCRUAL BASIS (DEDUCTIONS FOR BAD DEBTS)

Effective January 1, 2005, gross receipts may now be reported on either a

cash or an accrual basis in accordance with Internal Revenue Service (IRS) guidelines. If reporting on an accrual basis (amounts billed), you may exclude from your reported gross receipts any uncollectible amount (“bad debt”) apportioned to the City of Los Angeles that has been written off as a “bad debt” in compliance with IRS guidelines. However, any portion of “bad debt” that had been previously written off and is later collected, is to be reported as gross receipts in the year it is collected.

BUSINESS SOLD OR DISCONTINUED

If a business is discontinued or dissolved before the end of a tax period, any taxes accrued or owing shall be due on the date of termination. Taxes due are delinquent if not paid within forty-five (45) days ⁽³⁾ from the date of termination.

TAXATION OF MOST COMMON AND TYPICAL TYPES OF BUSINESS ACTIVITIES

While there are many different business activities taxed at varying rates, emphasis will be given to the following classifications. Please call or visit any of the Office of Finance public offices listed at the end of this booklet for additional information.

RETAIL SALES

Section 21.167 of the Business Tax Ordinance defines retail sales as the selling of any goods, wares or merchandise for any purpose other than resale. Common examples would be grocery stores, drug stores, hardware stores, clothing stores, restaurants, etc.

TAX RATE: \$110.86 for the first \$75,000 or less of gross receipts plus \$1.48 per \$1,000 or fractional part thereof in excess of \$75,000.

WHOLESALE SALES

Section 21.166 of the Business Tax Ordinance defines wholesale sales as the selling of goods, wares or merchandise for the purpose of resale. An example would be a wholesale grocer selling goods to a grocery store.

TAX RATE: \$118.25 for the first \$100,000 or less of gross receipts plus \$1.18 per \$1,000 or fractional part thereof in excess of \$100,000.

Sellers who are engaged in both retail sales and wholesale sales are subject to both types of taxes. In these instances, it will be necessary to segregate the sales and pay a business tax for each classification.

Receipts, which may be excluded from Retail and Wholesale Business Taxes, are the following:

A. Out-of-State sales, which are shipped by the seller directly to the purchaser

(3) For every person engaged in the business of developing and selling property in which said person(s) has equity or title, all taxes must be paid and the account closed on or before the last day of the month following the month in which discontinuance or termination occurred.

to points outside the State of California.

- B. State or local sales and use taxes.
- C. Returned merchandise where cash or credit is allowed.
- D. Cash discounts allowed or taken.

Retailers and wholesalers may be entitled to an apportionment of their gross receipts if they are located in the City of Los Angeles and engage in sales activities both inside and outside the City (City Clerk's Ruling No. 14); or if they are located outside the City of Los Angeles and engage in sales activities within the City (City Clerk's Ruling No. 13).

SELLING, SOLICITING ON STREETS OR SIDEWALKS

Selling any goods, wares or merchandise on public streets and sidewalks on foot or using a pack, stand or pushcart is illegal. It is also illegal to sell in vacant lots, auto service stations or any other private property (abandoned or not) without the approval of the Department of Building and Safety. The telephone number is (213) 482-0000.

Persons operating food-catering vehicles may sell, provided that all of the following conditions are met:

- A. The vehicle must be registered with the State Department of Motor Vehicles.
- B. The vehicle must be approved by the County Health Department. The telephone number is (626) 430-5500.
- C. The food sold must be prepared and packaged ready for immediate human consumption.
- D. When stopping or parking on public streets, all signs must be obeyed. Certain stopping or parking restrictions must also be complied with.
- E. Only temporary stops on private property route locations may be made.

Note: Catering bicycles or tricycles (human powered) such as those used to vend ice cream, tamales, candy, etc. are illegal upon City streets.

PROFESSIONS AND OCCUPATIONS BUSINESSES

Section 21.190 of the Business Tax Ordinance covers any service activities that are not described as "Miscellaneous Services," as well as all other business activities not specifically taxed by other sections of the Business Tax Ordinance. Some examples are attorneys, dentists, barbers, auto mechanics, etc.

Tax Rate: \$106.43 for the first \$18,000 or less of gross receipts plus \$5.91 for each additional \$1,000 or fractional part thereof in excess of \$18,000.

Persons engaged in more than one trade, calling, occupation, vocation, profession or other means of livelihood covered within this section shall consolidate all gross receipts and shall be issued one Tax Registration Certificate covering all such service activities.

Persons who are in the business of providing services may be entitled to an apportionment of gross receipts derived from activities conducted both inside and outside the City of Los Angeles (City Clerk's Ruling No. 15).

CAN A PERSON IN A SELLING BUSINESS ALSO BE SUBJECT TO THE PROFESSIONS AND OCCUPATIONS TAX?

Yes. Many selling businesses also perform services or repairs. Common examples would be automobile dealers, television sales and services, gas stations, etc. In these cases, it is necessary to segregate the sales and services and pay a business tax for each business activity.

HEALTH MAINTENANCE ORGANIZATION

Section 21.191 of the Business Tax Ordinance became effective June 19, 1998 and operative as if in effect on January 1, 1998. This new business tax classification covers persons who are engaged in business as a Health Maintenance Organization. A Health Maintenance Organization is defined as any person who undertakes to arrange for the provision of health care services to subscribers or enrollees, or to pay for or to reimburse any part of the cost for those services, in return for a prepaid or periodic charge paid by or on behalf of the subscribers or enrollees.

Tax Rate: \$106.43 for the first \$18,000 or less of gross receipts plus \$5.91 per \$1,000 or fractional part thereof in excess of \$18,000.

INDEPENDENT TELEMARKETING AGENCY

Section 21.80 of the Business Tax Ordinance became operative January 1, 1997. It created a separate business tax classification for persons engaged in the business of marketing services or goods, wares or merchandise on behalf of three (3) or more clients continuously, none of which has any ownership interest in said person, by use of a telecommunications device at a call center⁽⁴⁾. Independent Telemarketing Agencies were formerly taxed under Sections 21.79 (Commission Brokers) and/or 21.190 (Professions and Occupations).

Tax Rate: \$91.64 for the first \$25,000 or less of gross receipts plus \$3.67 per \$1000 or fractional part thereof in excess of \$25,000.

MULTIMEDIA BUSINESSES

Section 21.189.4 of the Business Tax Ordinance became operative January 1,

(4) "Call Center" shall mean a location in which 25 or more persons are continuously employed or utilized to make and/or receive telephone calls by means of a centralized telecommunications system.

1997. It created a separate business tax classification for multimedia businesses, which were previously classified under Section 21.190 (Professions and Occupations). A "Multimedia Business" shall mean a business that: 1. Produces films, disks, tapes, software or other recording devices, whether visual or audio, through the integration of two or more media, which media include, without limitation, computer generated graphics and video, film, slides, video tapes, audio tapes and photographs; or 2. Provides computer programming services on a contract or fee basis to the person defined in subsection 1 of this section, such services to include computer software design and analysis, modification of custom software, digital imaging and other related programming services; or 3. Develops online and internet services, including the design of WEB sites, for clients. The activities of a motion picture, television or radio producer, as defined in Section 21.109 of the Business Tax Ordinance, radio or television broadcaster, as defined in Section 21.189.2 of the Business Tax Ordinance, and an adult entertainment business, as defined in Section 12.70B of the LAMC shall not be subject to tax under this section.

Tax Rate: \$118.25 for the first \$100,000 or less of gross receipts plus \$1.18 per \$1,000 or fractional part thereof in excess of \$100,000.

CHILD CARE PROVIDERS

Section 21.189.3 of the Business Tax Ordinance defines child care as providing non-medical care for children under 18 years of age in need of personal services, supervision or assistance essential for sustaining the activities of daily living or for the protection of the individual on less than a 24-hour basis.

Tax Rate: \$23.65 for the first \$20,000 or less of gross receipts plus \$1.18 for each additional \$1,000 or fractional part thereof in excess of \$20,000.

MISCELLANEOUS SERVICES

Section 21.189.1 of the Business Tax Ordinance covers persons engaged in the business of: advertising agency, aircraft support contractor, apparel subcontractor, bookbinder, check cashing service, drapery subcontractor, heat treater, mailing service, metal plater, music teacher, public relations agency, refuse contractor, shoe shining stand or parlor operator, silk screen apparel subcontractor, temporary help agency, ticket sellers, travel agency, typesetter or wire terminator.

Tax Rate: \$49.67 for the first \$12,000 or less of gross receipts plus \$4.14 per \$1,000 or fractional part thereof in excess of \$12,000.

RENTAL OF DWELLING UNITS

Section 21.99 of the Business Tax Ordinance covers persons who are

engaged in the business of conducting or operating a hotel, rooming house, apartment house, or other dwelling units.

Tax Rate: \$110.86 for the first \$75,000 or less of gross receipts plus \$1.48 per \$1,000 or fractional part thereof in excess of \$75,000.

A Tax Registration Certificate is required for persons having four (4) or more dwelling units in the City. However, gross receipts from all in-city locations can be combined under one Tax Registration Certificate. Whenever the gross rental income from all locations in the City is less than \$20,000 per calendar year, a Tax Registration Certificate is not required or a tax is not due.

RENTAL OF COMMERCIAL PROPERTY

Section 21.98 of the Business Tax Ordinance covers persons who are engaged in the business of renting or letting a building to tenants for purposes other than dwelling.

Tax Rate: \$110.86 for the first \$75,000 or less of gross receipts plus \$1.48 per \$1,000 or fractional part thereof in excess of \$75,000.

Only one Tax Registration Certificate is required from persons having more than one commercial property in the City but the gross receipts from all of these locations should be reported in the measure of tax.

This tax does not apply to persons who operate storage warehouses or indoor auto parking as they are subject to a business tax for the conduct of their businesses under ordinance Sections 21.141 and 21.56, respectively. Please refer to Section 21.98 of the Business Tax Ordinance for a complete list of exemptions.

CONTRACTOR

Section 21.188 of the Business Tax Ordinance covers persons engaged in the business of constructing, altering, repairing, or demolishing any building, highway, road or other structure.

Tax Rate: \$177.38 for the first \$60,000 or less of gross receipts plus \$1.18 per \$1,000 or fractional part thereof in excess of \$60,000. In-City Contractor pays an additional \$2.96 per \$1,000 or fraction of all salaries and fees paid for services rendered in the City in connection with out-of-city projects.

Depending on whether the contractor has a fixed place of business inside or outside the City, the following methods are used to compute the contractor's tax base:

- A. Established place of business located **outside** the City:
Gross receipts consist of the total amount of contracts from projects performed within the City without any deduction for subcontracts performed by others. Subcontractors are also subject to this tax. No tax payment is required for out-of-city contractors who have zero gross receipts in the city.
- B. Established place of business located **inside** the City:
Gross receipts from jobs or projects performed **both** inside and outside the City are reported as follows (City Clerk's Ruling No. 2):
1. Gross receipts from the total amount of contracts from projects performed in the City without any deduction for subcontracts performed by others,
- PLUS**
2. An apportionment of the total wages, salaries and fees paid to employees and consultants for services rendered in the City in connection with projects located outside the City. The apportionment rate is based on the ratio of gross receipts from projects outside the City to total gross receipts from all business activities.

Note: When there are no projects outside the City, only gross receipts from projects in the city are reported.

COMMISSION MERCHANT OR BROKER

Section 21.79 of the Business Tax Ordinance defines commission merchant or broker as a person who brings buyers and sellers of goods, wares or merchandise together, while serving in the capacity of an independent contractor and not as an employee of another.

Tax Rate: \$91.64 for the first \$25,000 or less of gross receipts plus \$3.67 per \$1,000 or fractional part thereof in excess of \$25,000.

Commission merchants or brokers may be entitled to an apportionment of gross receipts if they are located inside the City but have substantial activities outside the City or if they are located outside the City but have business activities inside the City (City Clerk's Ruling 3 defines a commission merchant or broker. See City Clerk's Ruling 15 for apportionment).

LAUNDRY, CLEANING AND DYEING AGENT, COLLECTOR, LINEN SUPPLY AND SHOE REPAIR

Section 21.102 of the Business Tax Ordinance covers persons engaged in the business of washing, drying, cleaning, dyeing or pressing any clothing, or similar article of personal property, whether accomplished by hand, machine or any coin-operated machine operated by such person, his employee or any customer, or furnishing or letting the use of any towels, linens, aprons,

bedding, napkins, table covers, or any other article of personal property of a similar nature, or collecting or delivering any such article as an agency or otherwise, for a fee or charge or repairing or rebuilding shoes.

Tax Rate: \$110.86 for the first \$75,000 or less of gross receipts plus \$1.48 per \$1,000 or fractional part thereof in excess of \$75,000.

Persons who also engage in retail sales and perform minor alterations or repairs to the garments of the customers at the same location need not obtain separate Tax Registration Certificates, provided that the combined gross receipts are reported under the one certificate.

PERSONAL PROPERTY RENTAL

Section 21.192 of the Business Tax Ordinance covers every person engaged in the business of leasing or renting any tangible personal property ⁽⁵⁾, and not specifically taxed by other provisions of this article.

Tax Rate: \$177.38 for the first \$60,000 or less of gross receipts plus \$2.96 per \$1,000 or fractional part thereof in excess of \$60,000.

It is not required to include the gross receipts for the leasing or renting of tangible personal property when the entire use is made wholly outside the State of California.

Persons engaged in the business of renting personal property may be entitled to an apportionment of gross receipts derived from rental activities carried on both inside and outside the City (City Clerk's Ruling No. 17).

AUTO PARKS

Section 21.56 of the Business Tax Ordinance covers every person engaged in the business of conducting any automobile parking place, storage lot or storage place where motor vehicles are parked or stored, and a charge made directly or indirectly for such parking or storage.

Tax Rate: \$177.38 for the first \$30,000 or less of gross receipts plus \$5.91 per \$1,000 or fractional part thereof in excess of \$30,000.

OTHER TYPES OF BUSINESSES

Other types of businesses on which different tax rates apply include, but are not limited to, the following:

Amusement Park

⁵ "Tangible Personal Property" shall mean personal property which may be seen, weighed, measured, felt or touched, or which is in any other manner perceptible to the senses.

Auctioneer
Baseball, Football, (Sporting Events, etc.)
Billiards, etc.
Bowling Alleys, Skee-ball, Shuffleboard, etc.
Coin-operated Amusement Machines
Coin-operated Phonographs and Music Machines
Coin-operated Scales and Service Machines
Christmas Tree Sales
Circus
Collection Agency
Dance Hall
Lending Money
Miscellaneous Trucking (Business located outside the City)
Motion Picture, Television and Radio Producers
Oil Well Production (**Repealed effective 01-01-96. Now taxed under Wholesale and/or Retail Sales.**)
Side Show, Carnival, Circus Parade
Storage, Freight Forwarding, Steamship Agency, Custom House Broker
Theater, Motion Picture/Live
Transporting Persons for Hire
Vending Machines/Routes

If you are engaged in one of the foregoing businesses, it is suggested that you contact one of the Office of Finance offices listed at the end of this booklet.

TAXPAYER ADVOCATE

The Taxpayer Advocate program was designed to provide personal assistance to taxpayers who have complex business tax problems. The Taxpayer Advocate will be dedicated to researching and resolving issues and complaints from taxpayers. The Taxpayer Advocate may be contacted by:

- FAX (213) 978-1549
Attn: Taxpayer Advocate
- E-Mail advocate@finance.lacity.org
- U.S. Mail Office of Finance, Tax and Permit Division
200 North Spring Street, Room 101
Los Angeles, CA 90012
Attention: Taxpayer Advocate
- Referral You may be referred to the Taxpayer Advocate by any Office of Finance employee.

If you are requesting assistance through Fax, E-mail or U.S. Mail, please include your name, account number, a brief description of your problem and a daytime telephone number.

CITY CLERK RULINGS

Section 21.15 (h) of the Los Angeles Municipal Code gives the Director of Finance the authority to adopt and promulgate rules and regulations pertaining to the collection of the Los Angeles Business Tax and the enforcement of the provisions of the Business Tax Ordinance (Article 1, Chapter 2 of the Los Angeles Municipal Code). The following is general information that applies to specific activities. For additional information or a copy of any City Clerk's Ruling, please contact one of the Office of Finance offices listed at the end of this booklet.

CITY CLERK'S RULING NO. 13 (PERSONS SELLING GOODS, WARES AND MERCHANDISE IN LOS ANGELES, WITH NO FIXED PLACE OF BUSINESS IN LOS ANGELES)

Business Tax Classification Reference:

Sections 21.166 and 21.167 of the Los Angeles Municipal Code:

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 such person engages in business, shall nevertheless be deemed to be engaged in business within the City of Los Angeles when, through the physical presence of such person, such person's employees, such person's agents, or such person's equipment, such person carries on activities within the City of Los Angeles which are designed to solicit, promote, stimulate, or otherwise encourage the sale of goods, wares, or merchandise.

The measure of tax for such person shall be:

- (a) 35% of those gross receipts from all sales to customers located within the City of Los Angeles, where delivery or shipment is made to points within the City by vehicles operated by the taxpayer.
- (b) 30% of those gross receipts from all sales to customers located within the City of Los Angeles where delivery or shipment is made to points within the City by means other than vehicles operated by the taxpayer regardless of the f.o.b. point or other conditions of sale.
- (c) 30% of those gross receipts from all sales to customers located within the City of Los Angeles where delivery or shipment is made to points outside the City.

CITY CLERK'S RULING NO.14 (PERSONS SELLING GOODS, WARES, AND MERCHANDISE, WHO HAVE A FIXED PLACE OF BUSINESS IN LOS ANGELES)

Business Tax Classification Reference:

Sections 21.166 and 21.167 of the Los Angeles Municipal Code

A person who owns, leases, occupies or otherwise maintains within the City a place or premises upon which, or from which the person engages in the business of selling goods, wares, and merchandise in the City and whose gross receipts from such sales 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 directly attributable to selling activities carried on by such person outside the City of Los Angeles. For the purposes 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 sales, or particular categories of sales, on which the corresponding elements of the selling process are performed at a place or location outside the City:

1. Up to 30% for the location where the sale is negotiated or solicited by the taxpayer, through the physical presence of the taxpayer or the taxpayer's employees.
2. Up to 20% for the sales office which serves as the base of operations for sales activities, or if there is no sales office which serves as a base of operations, the office from which the sales activities are directed or controlled.
3. Up to 10% for the location where orders 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 and conclusive evidence that a binding acceptance or approval occurs elsewhere.
4. Up to 20% for any facility, operated by the taxpayer, where the goods, wares or merchandise are stored immediately prior to shipment or delivery.
5. Up to 5% for the location, which gives the order for, or arranges for, the shipment or delivery of articles sold.
6. Up to 5% for the place where billing procedures are performed.
7. Up to 5% for the place where the collecting of receipts is performed.
8. Up to 5% for the place to which merchandise is delivered by vehicles operated by the taxpayer.

CITY CLERK'S RULING NO. 15 (GROSS RECEIPTS ATTRIBUTABLE TO BUSINESS ENGAGED IN WITHIN THE CITY)

Business Tax Classification Reference:

Section 21.190

It is the ruling of the City Clerk that any person engaging in a business subject to tax under Section 21.190 of the L.A.M.C shall include in the measure of tax the total gross receipts from work performed within the City; and in addition thereto, if such person owns, leases, occupies or otherwise maintains within the City a place or premises from which such person engages in business activities outside the City, such person shall include a portion of the gross receipts from work performed outside the City in the measure of tax. In the absence of substantial information, 20% of gross receipts from work performed outside the City shall be deemed to be that portion subject to tax as attributable to business engaged in within the City.

OTHER CITY CLERK RULINGS (Not otherwise included in this material)

City Clerk's Ruling No. 2 (Contractors) See page 16-17

City Clerk's Ruling No. 3 (Commission Merchants, Commission Brokers, Commission Agents Dealing in Tangible Personal Property)

City Clerk's Ruling No. 7 (Application of Business Tax Ordinance to Social Clubs, Automobile Clubs, Golf and Country Clubs, Employees' Associations, etc.)

City Clerk's Ruling No. 8 (Discounts, Allowances, etc.)

City Clerk's Ruling No. 10 (Employee Retention, Demonstration and Display of Goods, Wares or Merchandise)

City Clerk's Ruling No. 11 (Federal Taxes)

City Clerk's Ruling No.17 (Persons Leasing or Renting Tangible Personal Property)

City Clerk's Ruling No.18 (Senior Citizen Exemption – Utility Users Tax: Claims for Refund)

City Clerk's Ruling No.19 (Retailers Earning Finance and Other Charges on Deferred Payment Accounts)

BUSINESS TAX ECONOMIC INCENTIVE AREA – CITY BUSINESS TAX EXEMPTIONS AND DECREASES

Effective January 1, 1999, qualified businesses may be subject to additional business tax incentives consisting of business tax reductions or additional

business tax relief. For further information, please call one of the offices listed at the end of this booklet.

ENTERTAINMENT AND MULTIMEDIA BUSINESS TAX LIMITATIONS

Section 21.27 of the Business Tax Ordinance became effective January 1, 1996 (operative 01-01-97) and applies to businesses located in either the Hollywood Redevelopment or the North Hollywood Redevelopment Areas that generate more than 50% of gross receipts from the entertainment and/or multimedia business activities. For a definition of Multimedia or Entertainment Business, call one of the offices listed at the end of this booklet.

CITY OF LOS ANGELES BUSINESS TAX INCENTIVE AREAS have been approved by the City Council to provide business tax incentives for businesses located in certain areas of the City. Because the boundaries are specifically defined in the applicable Ordinances, please obtain a copy of the Ordinances and/or phone one of the offices listed at the end of this booklet to determine whether or not your business is located within a tax incentive area; in particular, if your business is located in South Central Los Angeles, Watts, Boyle Heights, Eastern Section of Downtown Los Angeles, Pacoima, Hollywood or North Hollywood.

OTHER TAXES, FEES AND CHARGES

COMMERCIAL TENANT'S OCCUPANCY TAX

(When the Landlord is exempted from Payment of Business Tax for Rental of Commercial Premises)

Article 1.3, Chapter 2, of the Los Angeles Municipal Code imposes an excise tax upon every tenant renting a building or structure of any kind on land located in the City of Los Angeles for purposes other than dwelling, sleeping or lodging, or renting space. The tax which is \$1.48 per \$1,000 or less of charges attributable to each calendar quarter shall be collected from the tenant by the landlord or owner and shall be remitted to the Office of Finance on or before the last day of the month following the close of each calendar quarter.

TRANSIENT OCCUPANCY TAX

Article 1.7, Chapter 2, of the Los Angeles Municipal Code imposes a tax on each transient for the privilege of occupancy in any hotel. The tax imposed shall be at a percentage rate of the rent charged by the hotel owner and/or operator and shall be remitted to the Office of Finance, effective January 1, 2005, on a monthly basis, due on or before the 25th day of the month following the close of each calendar month.

A transient is defined as:

- A. Any person, other than an individual, who exercises occupancy or is entitled to occupancy by reason of concession, permit, right of access, license or other agreement, for any period of time, or
- B. Any individual who personally exercises occupancy or is entitled to occupancy by reason of concession, permit, right of access, license or other agreement, for a period of 30 consecutive calendar days or less.

Exempted from the tax are rentals to:

- A. Any person as to whom, or any occupancy as to which, it is beyond the power of the City to impose the tax herein provided;
- B. Any Federal or State of California officer or employee while on official business, including an employee of a federal credit union who provides proof of being on Federal or State official business;
- C. Any officer or employee of a foreign government who is exempt by reason of express provision of federal law or international treaty;
- D. Any person to whom rent is charged at the rate of \$2.00 per day or less;
- E. Any person as to whom, or any occupancy as to which, rent is paid from funds administered by the Emergency Food and Shelter National Board Program.

No exemption shall be granted under items A, B, or C of the listed exemptions unless a claim is made at the time rent is collected upon a certificate distributed by the Office of Finance.

UTILITY USERS' TAX

Article 1.1, Chapter 2, of the Los Angeles Municipal Code imposes a tax on telephone, electricity and gas users within the City. The tax imposed shall be at a percentage rate of the charges made for such services and shall be included in the billings of the individual utility companies which are responsible for remitting these taxes to the Office of Finance on a monthly basis.

Exemptions from payment of utility users' taxes are available to households where the combined income of all residents is less than an annual minimum amount determined by the Federal Department of Housing and Urban Development and either of the following conditions exists:

- A. At least one resident is 62 years of age or older,

Or

- B. At least one resident is disabled to the extent that he or she is unable to engage in any substantially gainful activity.

For detailed information regarding exemption from payment of utility users' taxes, contact the Utility Tax Exemption Unit at (213) 978-3050.

PARKING OCCUPANCY TAX

Article 1.15, Chapter 2, of the Los Angeles Municipal Code imposes a tax for the privilege of occupying space in any parking facility in the City of Los Angeles. The tax imposed on each occupant shall be at a percentage rate of the parking fee paid to the parking facility owner and/or operator who is responsible for remitting these taxes to the Office of Finance, effective December 1, 2004, on a monthly basis, due on or before the 25th day of the month following the close of each calendar month.

Certain persons may qualify for exemption from the Parking Occupancy Tax. Information and applications may be obtained by calling the Utility Tax Exemption Unit at (213) 978-3050.

SEWER SERVICE CHARGE

Article 4.1, Chapter 6, of the Los Angeles Municipal Code imposes a sewer service charge for receiving, transportation, pumping, treatment and/or disposal of sewage through the City's sewer system. The sewer service charge shall be at a percentage rate for each 100 cubic feet of water supplied to the premises and shall be paid by the user through the water billings of the Department of Water and Power. Special formula billings are handled directly by the Office of Finance.

SANITATION EQUIPMENT CHARGE

Article 6.1, Chapter 6, of the Los Angeles Municipal Code imposes a charge for the collection and the disposal of household refuse for single family dwelling units and multiple dwelling units to fund the replacement of needed sanitation equipment. The specific charge for each dwelling unit will be made through the electric billings of the Department of Water and Power. The Office of Finance will bill those units not serviced by that Department. Persons qualifying for an exemption from the utility users' taxes also qualify for an exemption from this charge.

POLICE PERMITS

Various types of business activities are regulated through the Police Department by means of Police Commission Permits. Although the applications are processed and the fees are collected by the Office of Finance, the Police Department has the regulatory responsibility and powers in these areas. Police Permits have to be renewed annually.

Each Police Permit application, except those for burglar alarms, is investigated as to any criminal background of the applicant(s); that the

business is being conducted in the proper zone; and, where applicable, that nearby residents and business people are notified of a public hearing at which they may voice their approval or disapproval of the activities of some of the intended businesses. Conditional use permit provisions apply to various Police Permits.

Police Permits are required for all premises (residential and commercial) having burglar alarms. Alarm permittees are billed by the Office of Finance for each false alarm in excess of two during a continuous 12-month period.

Following is a list of those Police Permits where application is made through the Office of Finance:

Alarm (burglar) on Premises

Antique Shop

Antique Show/Collector's Exchange Show-promoter

Arcade (game) or Arcade (picture)

Auto Park

Bath Business (public)

Bowling Alley

Café – Entertainment/Shows

Card Club or School (except duplicate bridge)

Carnival

Dance Hall

Dance, One Night (public/teenage)

Dancing Academy or Club

Escort or Escort Bureau

Family Billiard Room

Figure Studio

Firearms/Ammunition (Effective 11-23-97, employees of persons who sell ammunition are required to obtain this police permit.)

Firefighters Organization

Firefighters Organization – Promoter or Solicitor

Game, Skill/Science (if prizes are awarded)

Hostess Dance Hall

Junk Collector or Dealer

Key Duplicator

Massage Business or Therapist

Motion Picture Show

Parade

Pawn Broker

Peace Officer Organization – Promoter or Solicitor

Pool Room

*Private Patrol Service

Rides (mechanical)

Rummage Sale

Sale – Closeout Removal/Fire

Secondhand – Auto Parts

Secondhand – Books/Magazines

Secondhand – General

Secondhand – Jewelry

Sellers of Firearms

Shooting Gallery

Skating Rink

*Street Patrol Officer

Swap Meet Operator

*Permit no longer required; however, registration is needed.

FIRE PERMITS

Many types of business operations also require a Fire Permit. Payments for certain Fire Permits are made to the Office of Finance and the inspection and regulation is the responsibility of the Fire Department's Fire Prevention Bureau. These permits and inspections are necessary to ensure the general safety of the public. Following is a list of only those activities requiring Fire Permits where application is made through the Office of Finance:

Aircraft Fueling Station

Aircraft Refueler (Truck)

Airport Fueling System

Airport, Private

Assemblage Occupancy

Auto Fueling Station (with aboveground tank)

Bulk Distributing Station

Central Station Signaling System

Church (Original Fee Only)

Community Care Facility

Cylinder Filling Plant

Day Care Occupancy

Dry Cleaning Plant

Heliport

Hotel or Apartment Hotel

Laboratory

Marine Oil Terminal

Marine Service Station

Natural Gasoline Plant

Oil Well

Refinery

Sanitarium

School

Service Center for Armed Forces Personnel
(Original Fee Only)

Special School

Theater

Theater, Little

Theater, Motion Picture

For more detailed information regarding Police and Fire Permits, you may contact any of the Office of Finance offices listed at the end of this booklet.

HAZARDOUS MATERIAL AND UNDERGROUND TANK CERTIFICATES

If you handle or intend to handle a hazardous substance and/or have an underground tank(s) at your business, please contact the Fire Department at:

**Los Angeles Fire Department
Data Management Unit (Haz Mat)
City Hall East
200 N. Main St. Room 970
Los Angeles, Ca. 90012
(213) 485-8080**

**Los Angeles Fire Department
Underground (Storage) Tanks
200 N. Main St., 9th Floor, Room 930
Los Angeles, CA 90012
(213) 485-7543**

**OFFICE OF FINANCE
CITY HALL (Main Office)
200 N. SPRING ST. (use Main St. entrance)
RM 101
LOS ANGELES, CA 90012
(213) 473-5901
Hours: 8:00 A.M. - 5:00 P.M.
Monday thru Friday**

BRANCH OFFICES

HOURS

Hollywood Branch Office
6501 Fountain Ave.
Phone: (213) 485-3935

Mon. thru Fri.
8 AM - 5PM

San Pedro Municipal Building
638 S. Beacon St. Rm. 211
Phone (310) 732-4537

Mon.-Wed.-Fri.
7:30 AM-12 PM
1 PM - 4:30 PM

Van Nuys Civic Center
6262 Van Nuys Blvd., Suite 110
Phone (818) 374-6850

Mon. Thru Fri.
8 AM - 5 PM

West Los Angeles
1828 Sawtelle Blvd., Rm 102
Phone (310) 575-8888

Mon. Thru Fri.
8 AM - 5 PM

Westchester Municipal Building
7166 W. Manchester Ave., Rm. 9
Phone (213) 473-6750

Tues. & Thur.
8 AM - 12 PM
1 PM - 4:30 PM

Watts Civic Center
10221 Compton Ave., Rm 202
Phone (213) 473-5109

Tues. & Thur.
1 PM - 4:30 PM

Figueroa Plaza Bldg. One Stop
201 N. Figueroa St.
3rd Floor Counter 24A
Phone (213) 482-7032

Mon/Tue/Thu/Fri
7:30 AM - 4:30 PM
Wed. 9 AM - 4:30 PM

As a covered entity under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the basis of disability and, upon request, will provide reasonable accommodation to ensure equal access to its programs, services, and activities.