




Tax Day LA

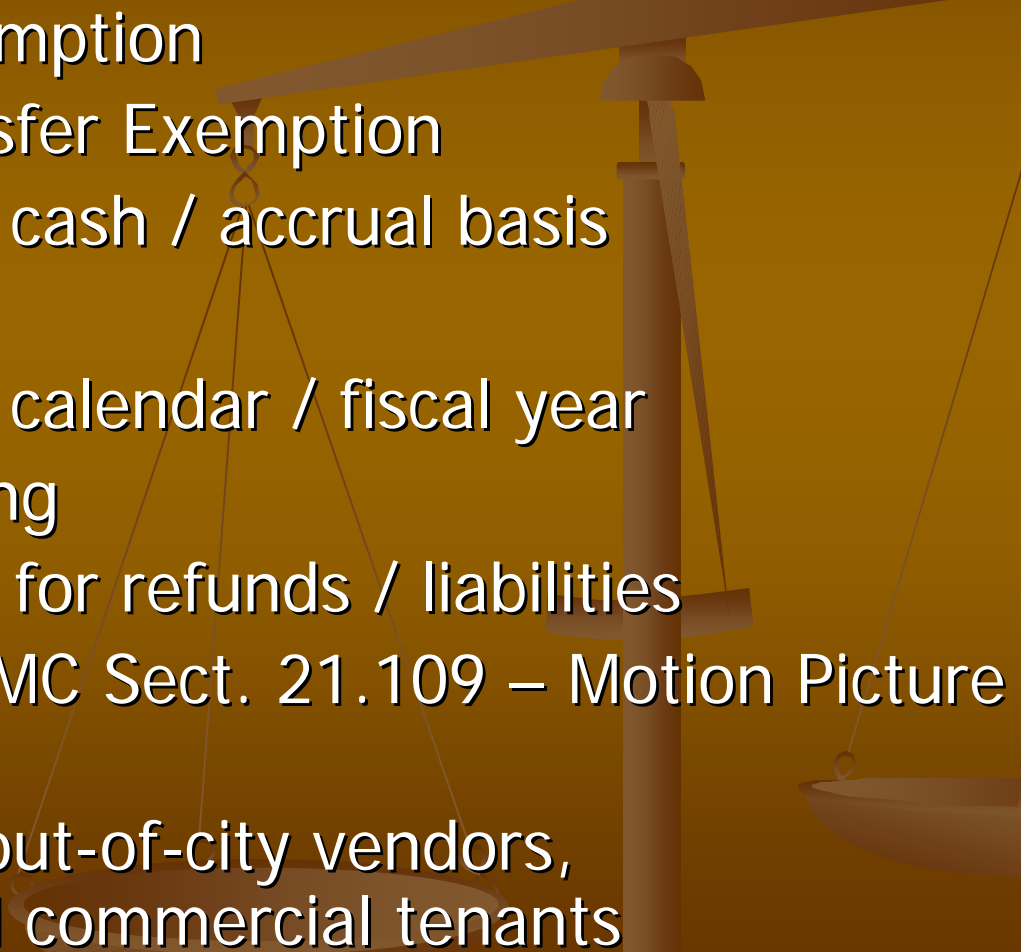
A Seminar on Los Angeles City Business Tax
presented by
The Office of Finance

Wednesday, December 6, 2006
Sportsman's Lodge
Studio City, CA

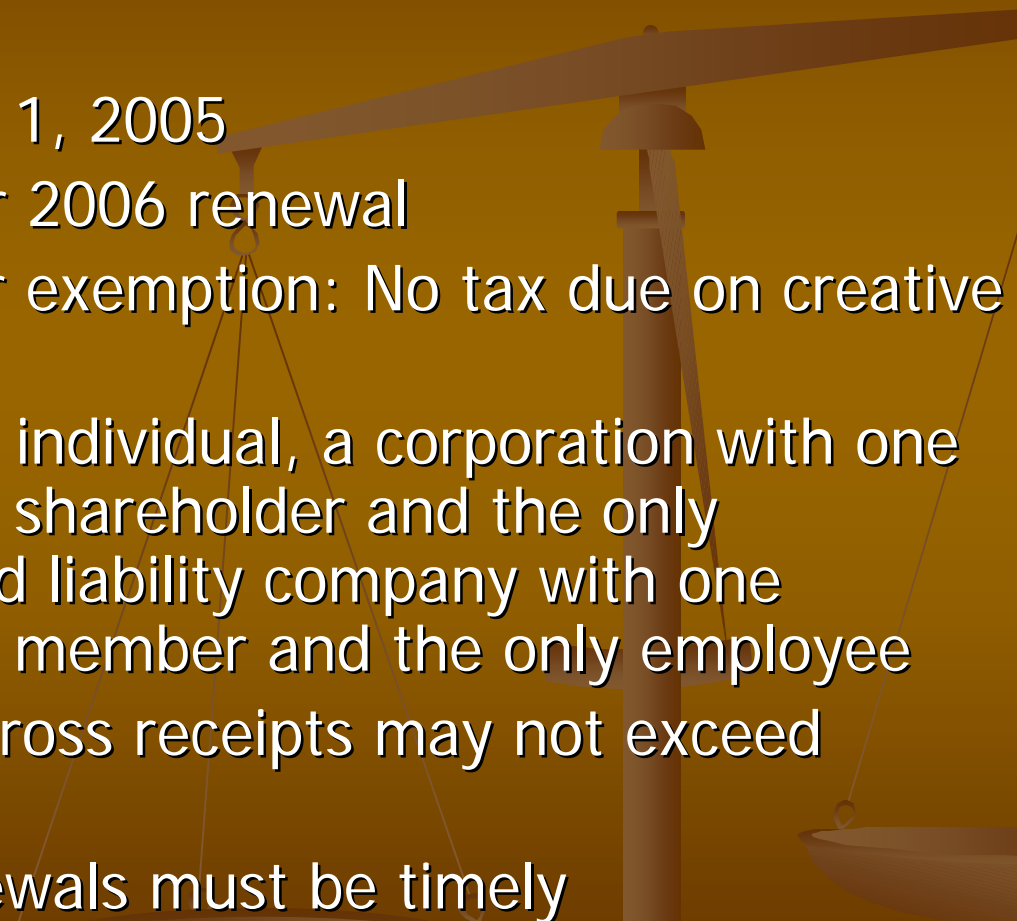
TAX CHANGES FOR 2007

- ▣ Rate Reduction
 - ▣ Interest rate change
 - ▣ Increase of the Small Business Exemption to \$100,000
 - ▣ Fund Class Consolidation in 2 phases
 - ▣ Extension of the New Business Exemption
 - ▣ Additional information requested for 2007 renewals
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RECAP OF PAST ORDINANCES

- ❑ Creative Artists Exemption
 - ❑ Intercompany Transfer Exemption
 - ❑ Option to report on cash / accrual basis
 - ❑ Bad debt deduction
 - ❑ Option to report on calendar / fiscal year
 - ❑ Single Category Filing
 - ❑ Same interest rates for refunds / liabilities
 - ❑ Restructuring of LAMC Sect. 21.109 – Motion Picture Producers
 - ❑ Requested info on out-of-city vendors, subcontractors, and commercial tenants
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CREATIVE ARTIST EXEMPTION

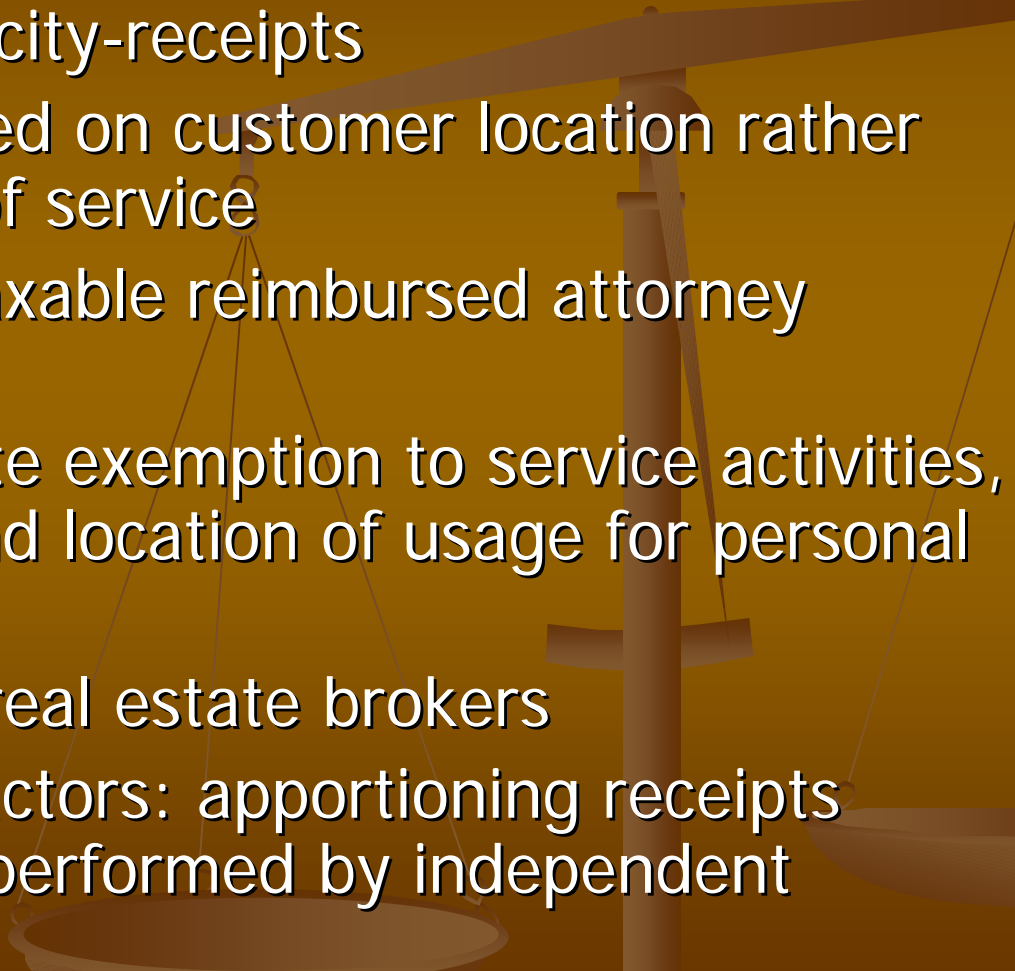
- ❑ LAMC Sec. 21.29(b)
 - ❑ Operative Date: July 1, 2005
 - ❑ Effective for Tax Year 2006 renewal
 - ❑ Benefit if qualified for exemption: No tax due on creative artist gross receipts
 - ❑ Taxpayer must be an individual, a corporation with one individual as the only shareholder and the only employee, or a limited liability company with one individual as the only member and the only employee
 - ❑ Total creative artist gross receipts may not exceed \$300,000
 - ❑ Registration and renewals must be timely
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RELATED ENTITY TRANSACTIONS

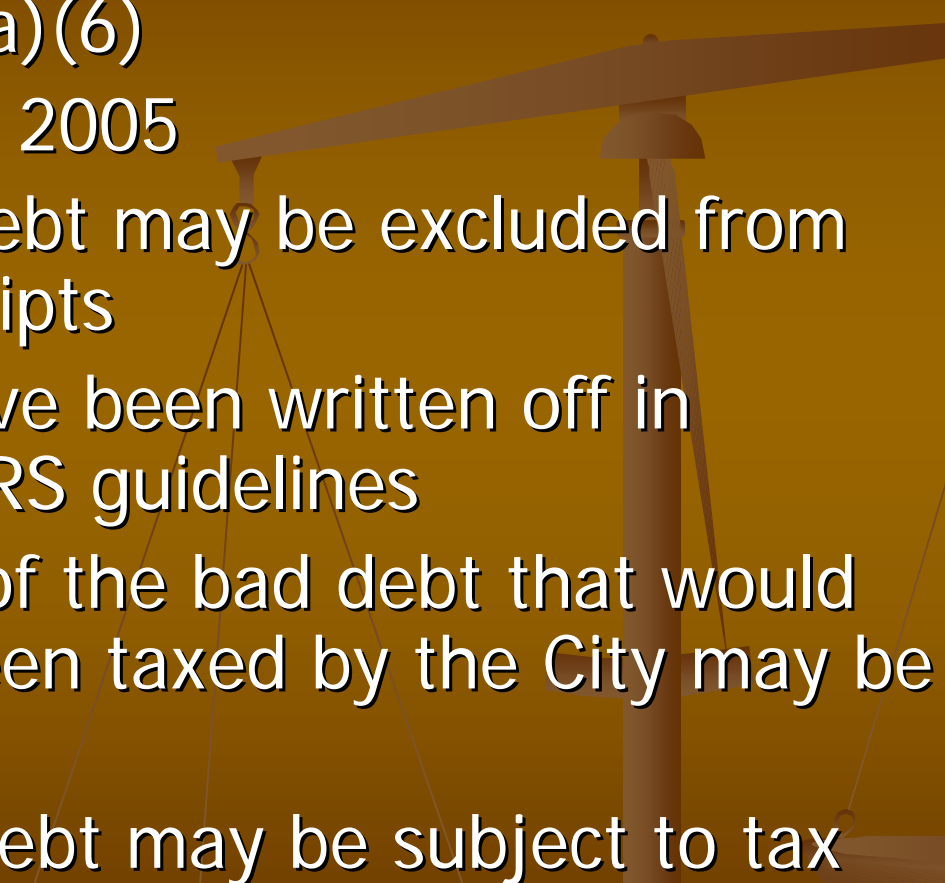


- ❑ LAMC Sec. 21.00(a)(5)
- ❑ Effective Tax Year 2002
- ❑ Benefit if qualified: gross receipts from related entity transactions are not taxed
- ❑ Requirements: 80% or more of the ownership interests in both value & voting power of entities involved must be held, directly or indirectly, by the same person(s)
- ❑ Taxpayer may be subject to tax on non-related entity gross receipts
- ❑ Taxpayer may be subject to minimum tax

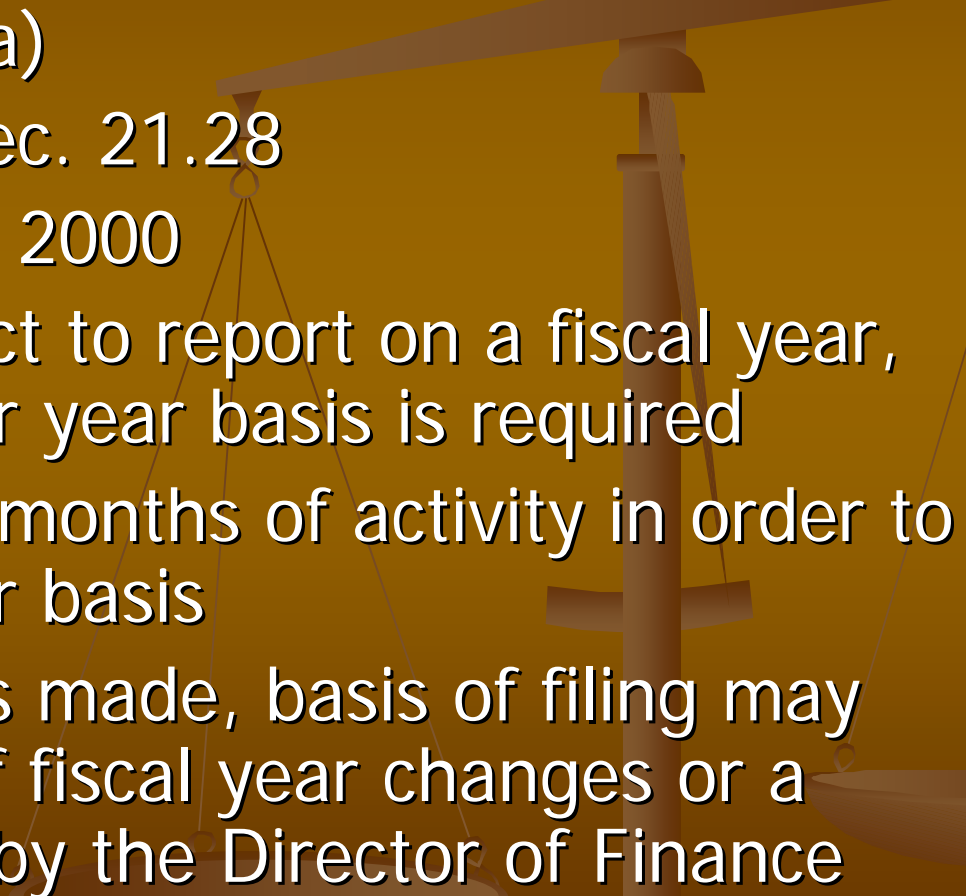
CASH OR ACCRUAL BASIS REPORTING

- ❑ Exclusion of out-of-city-receipts
 - ❑ Apportionment based on customer location rather than performance of service
 - ❑ Failure to include taxable reimbursed attorney expenses
 - ❑ Applying out-of-state exemption to service activities, sale of products, and location of usage for personal property rental
 - ❑ Apportionment for real estate brokers
 - ❑ Independent contractors: apportioning receipts derived from work performed by independent contractors
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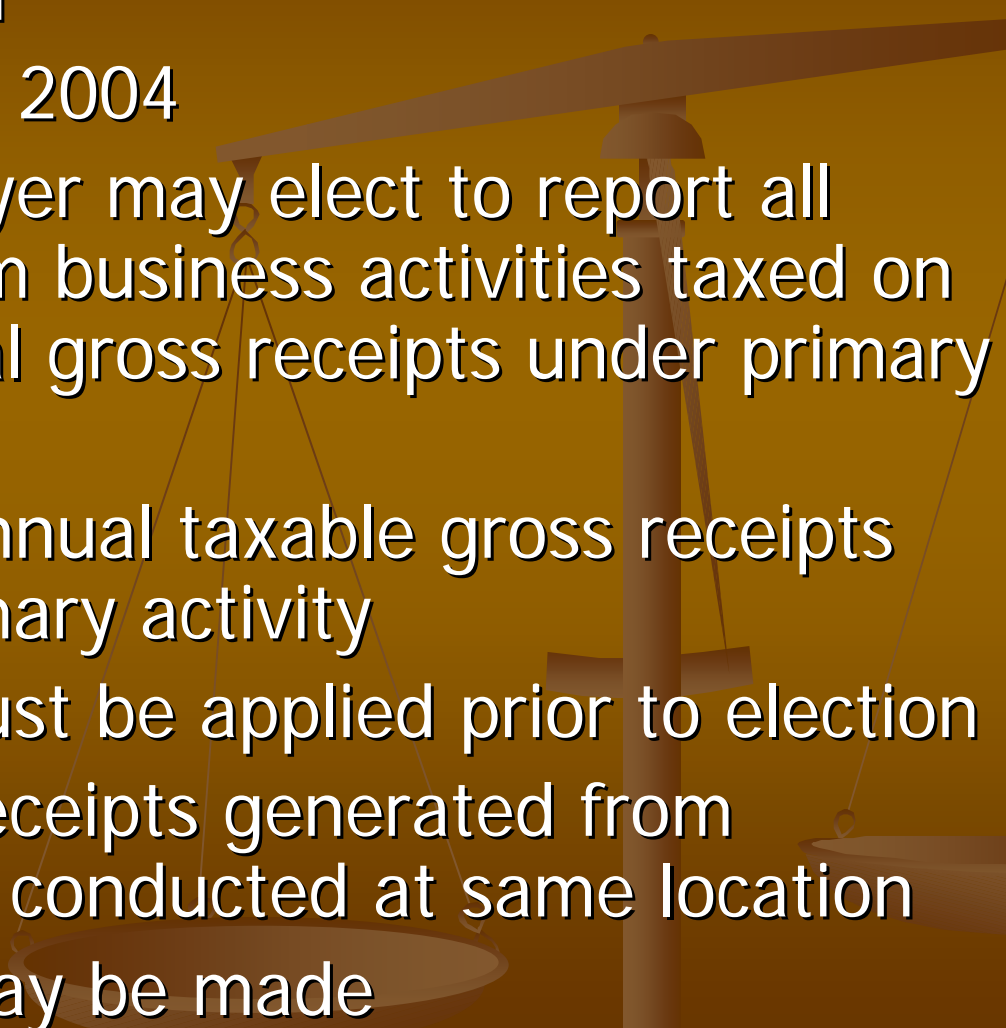
BAD DEBT DEDUCTION

- ❑ LAMC Sec. 21.00(a)(6)
 - ❑ Effective Tax Year 2005
 - ❑ If qualified, bad debt may be excluded from taxable gross receipts
 - ❑ Bad debt must have been written off in compliance with IRS guidelines
 - ❑ Only the amount of the bad debt that would otherwise have been taxed by the City may be deducted
 - ❑ Recovery of bad debt may be subject to tax
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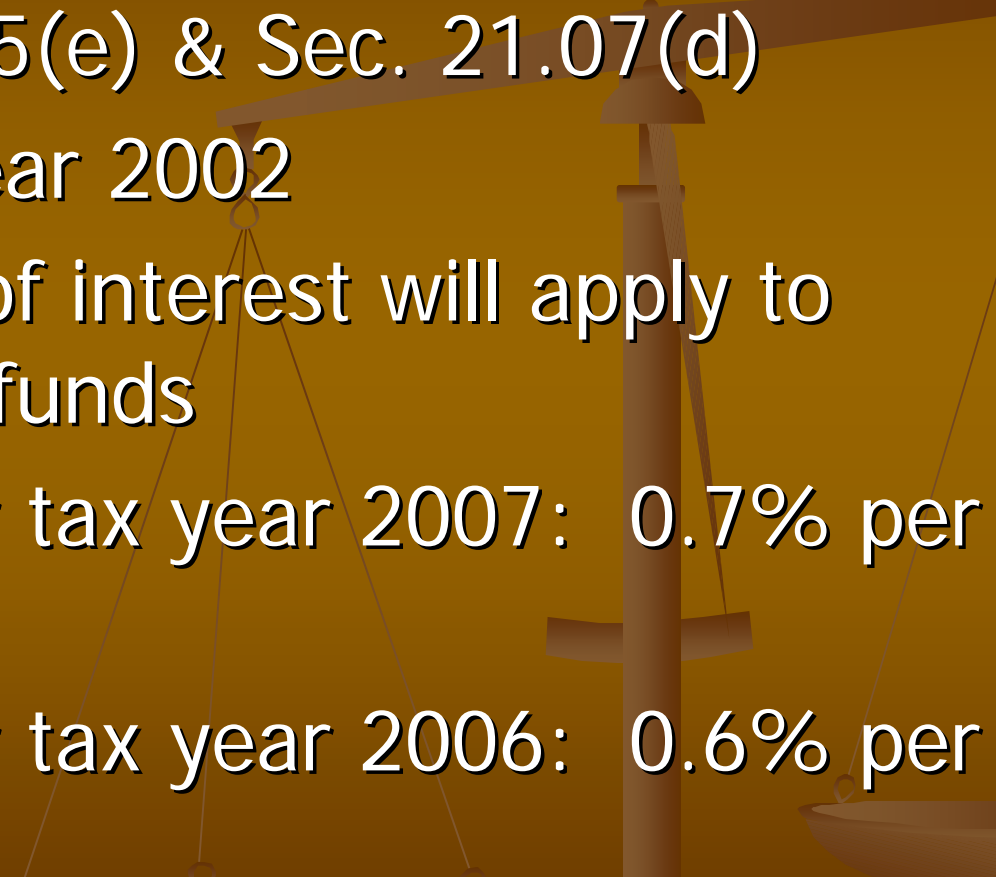
CALENDAR OR FISCAL YEAR REPORTING

- ❑ LAMC Sec. 21.00(a)
 - ❑ Originally LAMC Sec. 21.28
 - ❑ Effective Tax Year 2000
 - ❑ Taxpayer may elect to report on a fiscal year, otherwise calendar year basis is required
 - ❑ Must have twelve months of activity in order to file on a fiscal year basis
 - ❑ After an election is made, basis of filing may only be changed if fiscal year changes or a waiver is granted by the Director of Finance
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SINGLE CATEGORY FILING

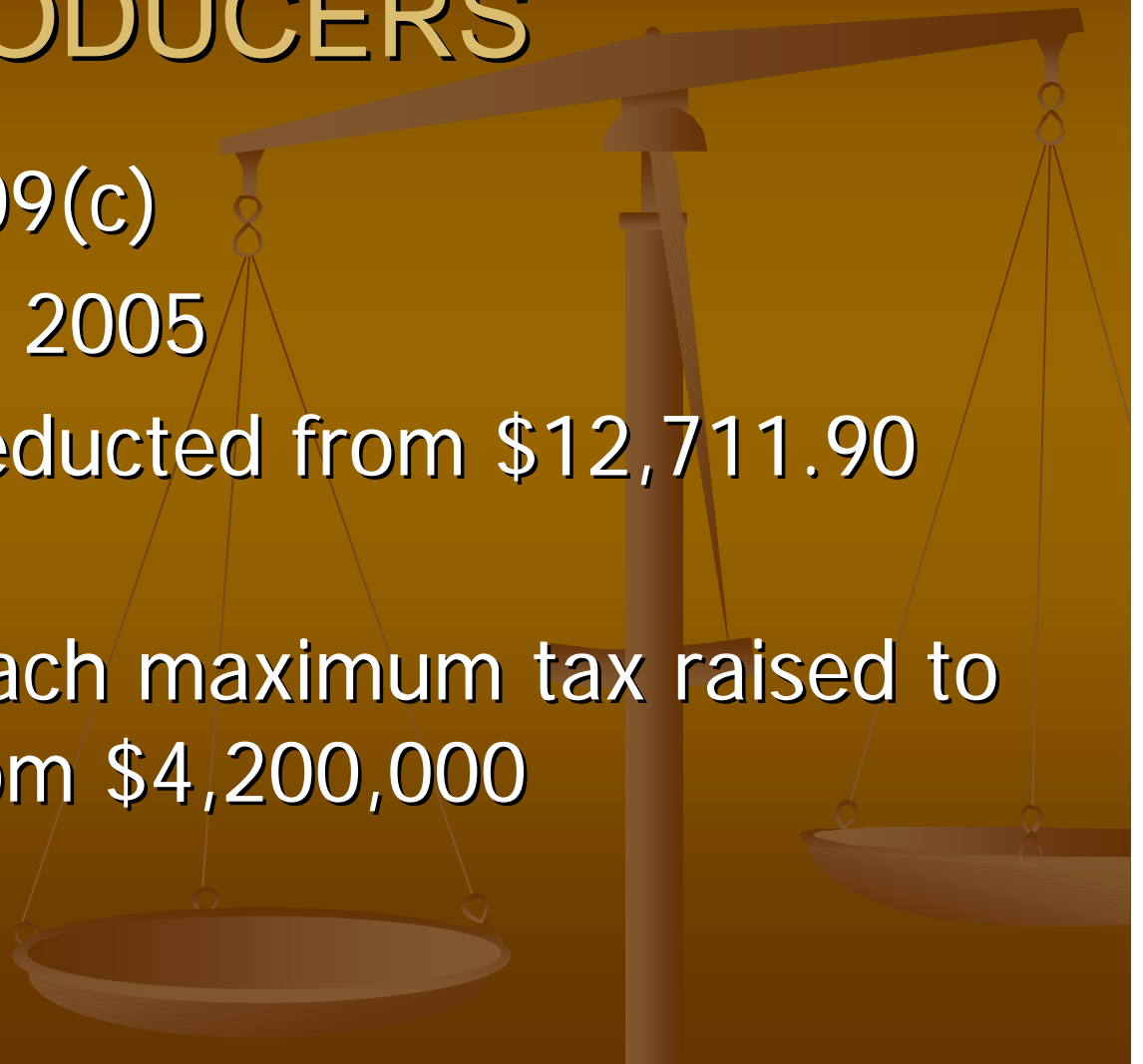
- ❑ LAMC Sec. 21.06.1
 - ❑ Effective Tax Year 2004
 - ❑ If qualified, taxpayer may elect to report all gross receipts from business activities taxed on the basis of annual gross receipts under primary tax classification
 - ❑ At least 80% of annual taxable gross receipts must be from primary activity
 - ❑ Apportionment must be applied prior to election
 - ❑ Applies to gross receipts generated from business activities conducted at same location
 - ❑ Annual election may be made
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INTEREST RATE ON LIABILITIES & REFUNDS

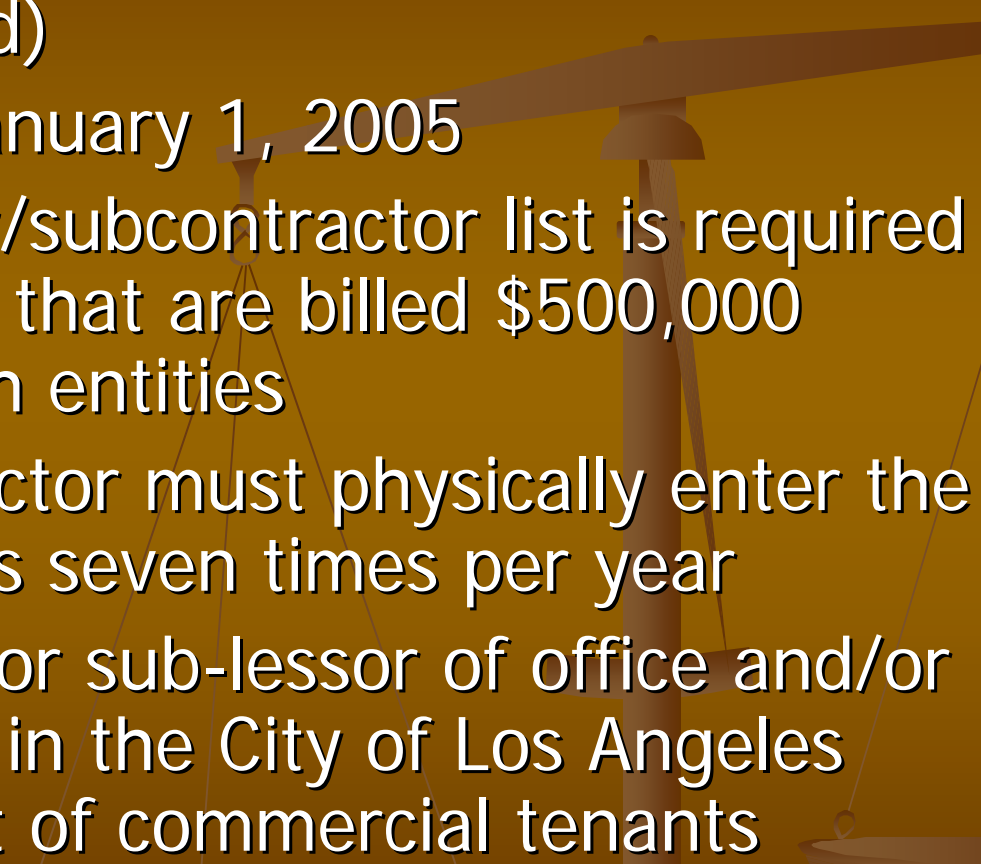
- ▣ LAMC Sec. 21.05(e) & Sec. 21.07(d)
 - ▣ Effective Tax Year 2002
 - ▣ The same rate of interest will apply to liabilities and refunds
 - ▣ Interest rate for tax year 2007: 0.7% per month
 - ▣ Interest rate for tax year 2006: 0.6% per month
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MOTION PICTURE, TELEVISION & RADIO PRODUCERS

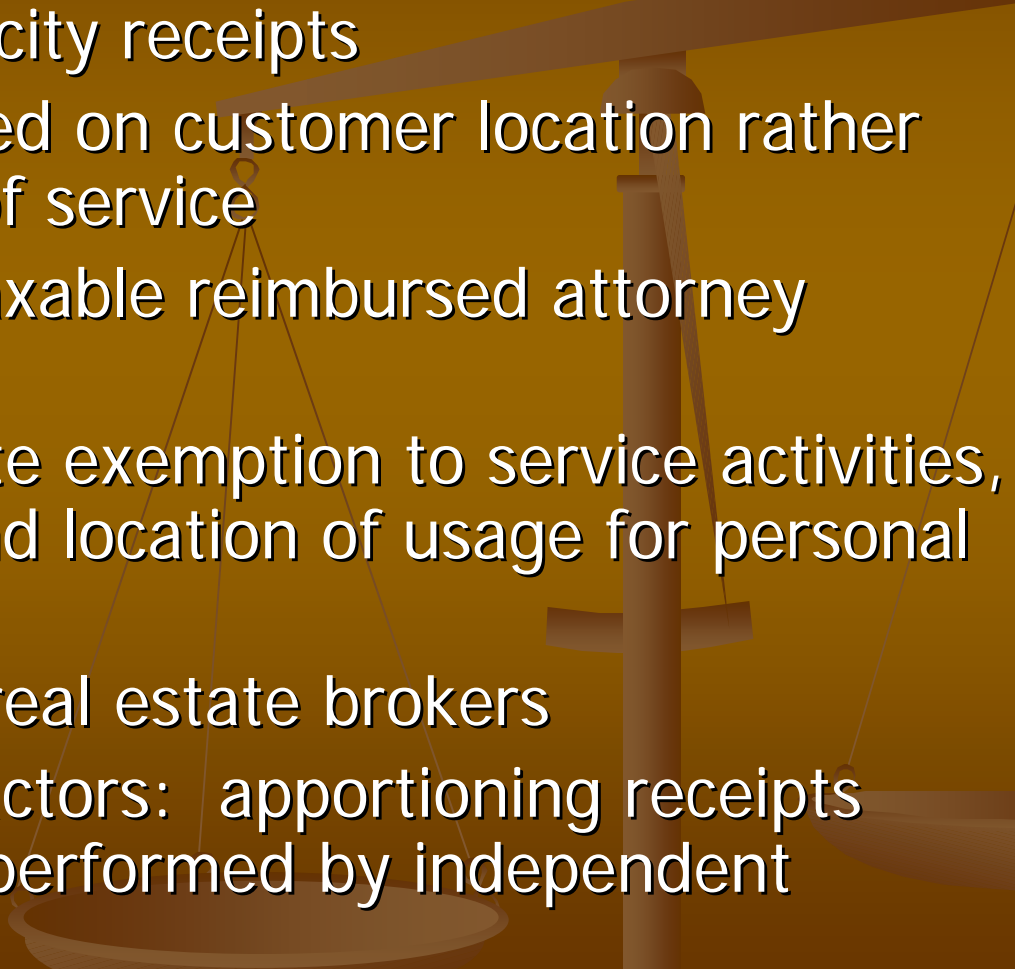
- ▣ LAMC Sec.21.109(c)
- ▣ Effective July 1, 2005
- ▣ Maximum tax reduced from \$12,711.90 to \$12,495.00
- ▣ Threshold to reach maximum tax raised to \$12,000,000 from \$4,200,000



VENDOR/SUBCONTRACTOR & COMMERCIAL TENANT LISTS

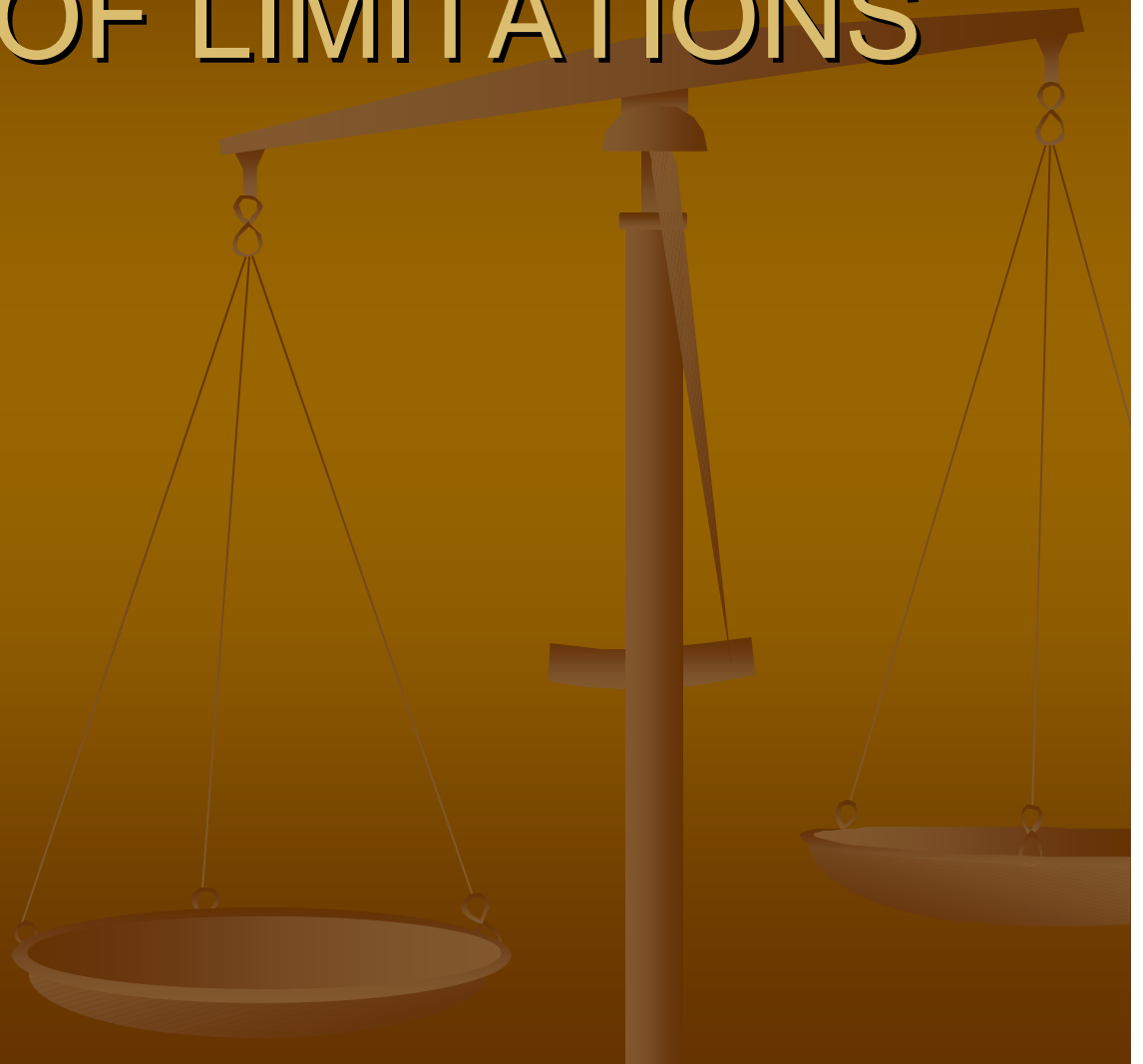
- ❑ LAMC Sec. 21.14(d)
 - ❑ Operative date: January 1, 2005
 - ❑ Out-of-city vendor/subcontractor list is required from all taxpayers that are billed \$500,000 annually from such entities
 - ❑ Vendor/Subcontractor must physically enter the City of Los Angeles seven times per year
 - ❑ An owner, lessor, or sub-lessor of office and/or commercial space in the City of Los Angeles must provide a list of commercial tenants
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AREAS WHERE THE MOST FREQUENT ERRORS OCCUR

- ❑ Exclusion of out-of-city receipts
 - ❑ Apportionment based on customer location rather than performance of service
 - ❑ Failure to include taxable reimbursed attorney expenses
 - ❑ Applying out-of-state exemption to service activities, sale of products, and location of usage for personal property rental
 - ❑ Apportionment for real estate brokers
 - ❑ Independent contractors: apportioning receipts derived from work performed by independent contractors
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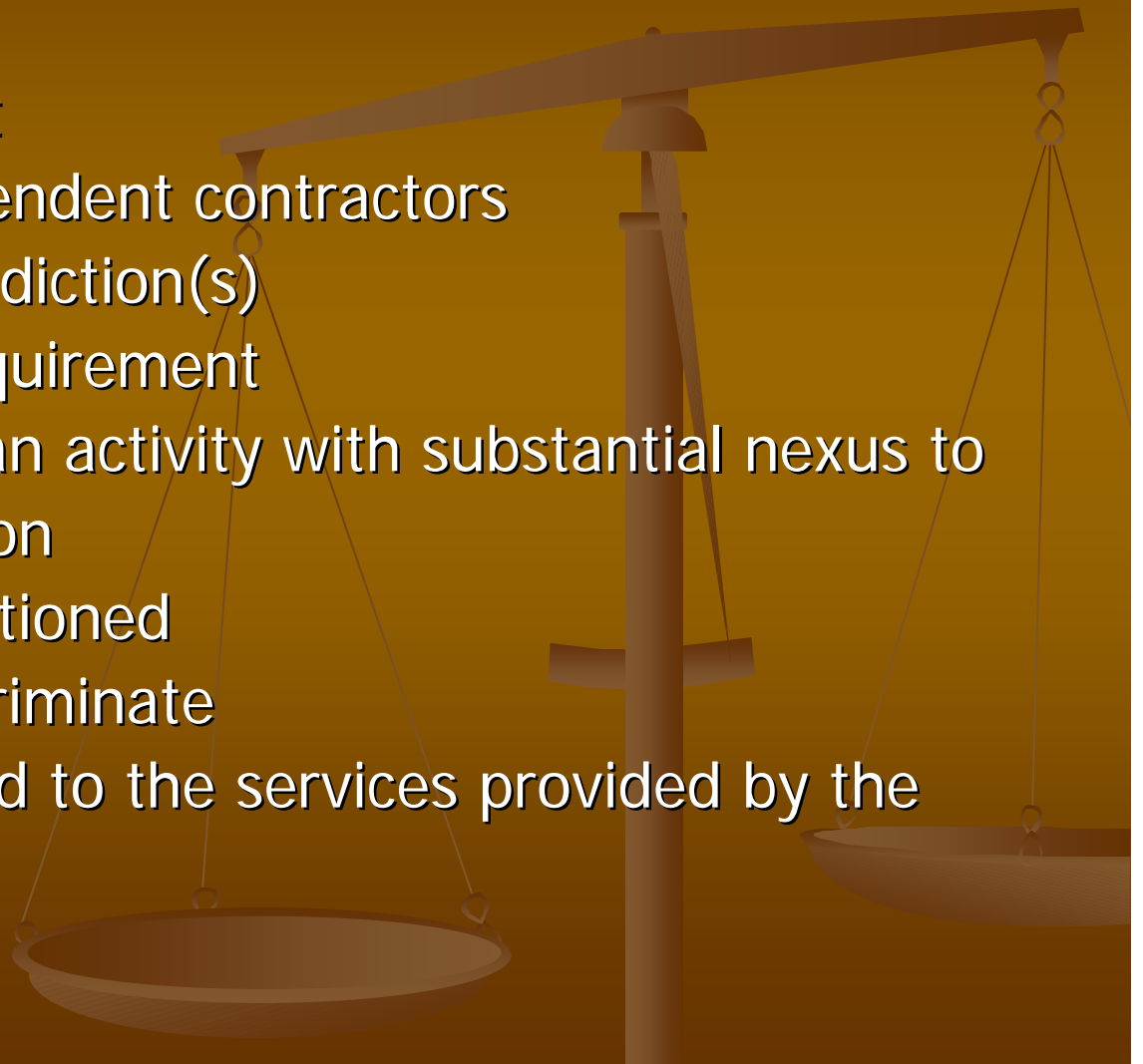
APPLICATION OF THE STATUTE OF LIMITATIONS

- ▣ Liability
- ▣ Refunds
- ▣ Offsets



TAX NEXUS

- Definition
- Property / equipment
- Employees vs. independent contractors
- Single / multiple jurisdiction(s)
- Commerce clause requirement
- (1) tax is applied to an activity with substantial nexus to a taxing jurisdiction
- (2) tax is fairly apportioned
- (3) tax does not discriminate
- (4) tax is fairly related to the services provided by the state



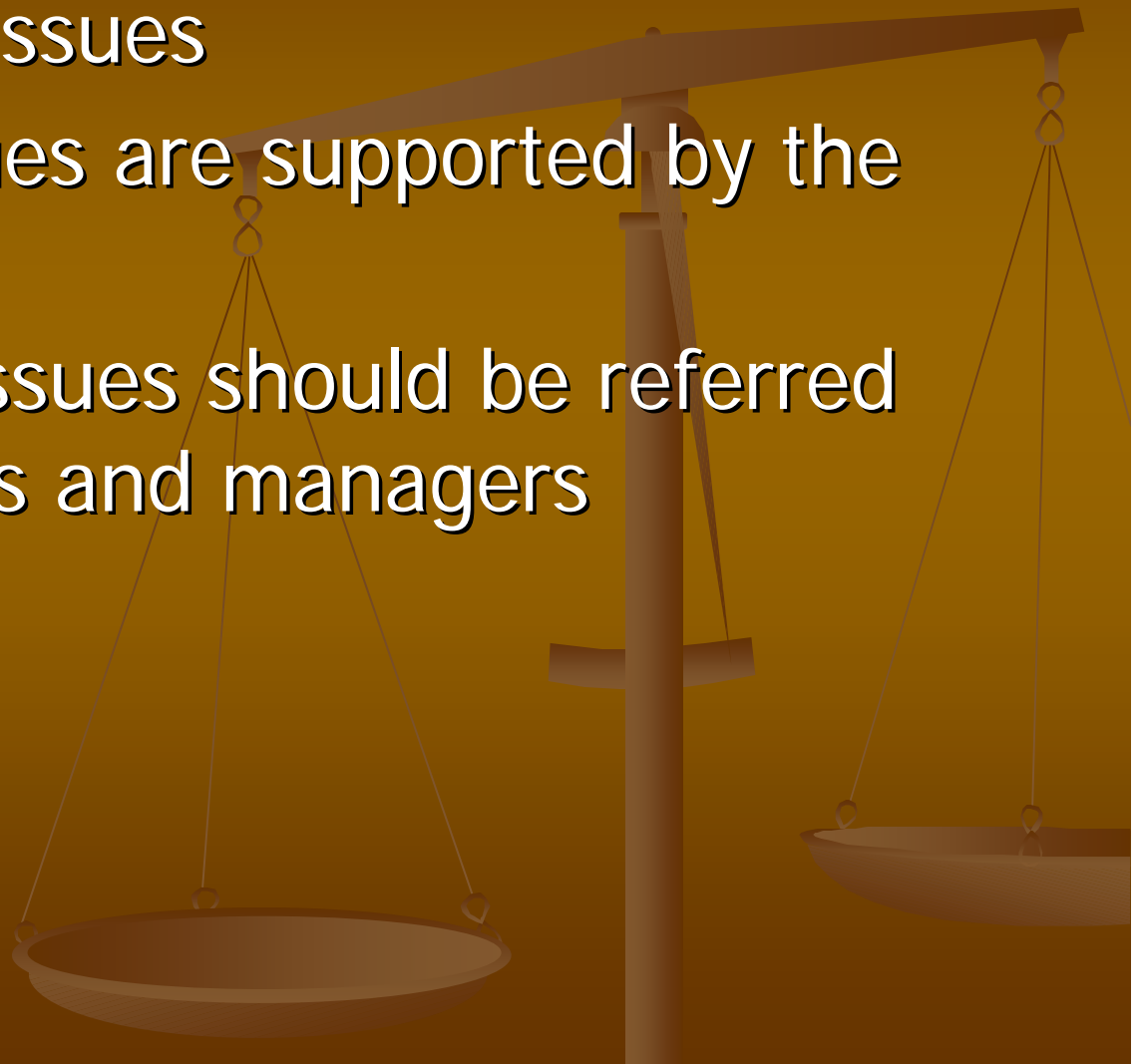
AUDIT PROCESS

- ▣ Field Audit
- ▣ Desk Audit



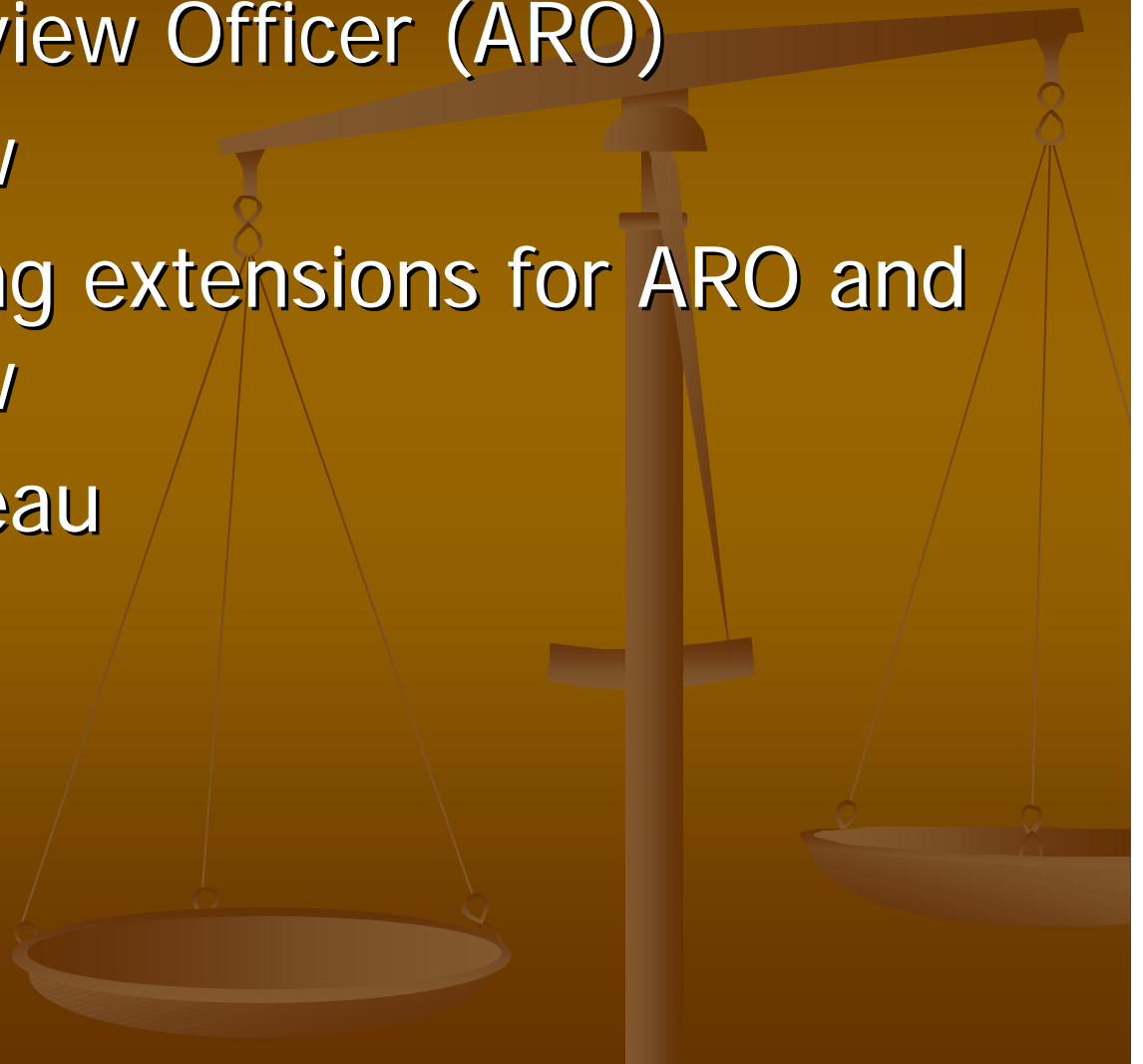
TAXPAYER ADVOCATE

- ❑ No general tax issues
- ❑ General tax issues are supported by the call center
- ❑ All tax-related issues should be referred from supervisors and managers



APPEALS PROCESS

- ▣ Assessment Review Officer (ARO)
- ▣ Board of Review
- ▣ Policy on Hearing extensions for ARO and Board of Review
- ▣ Settlement Bureau

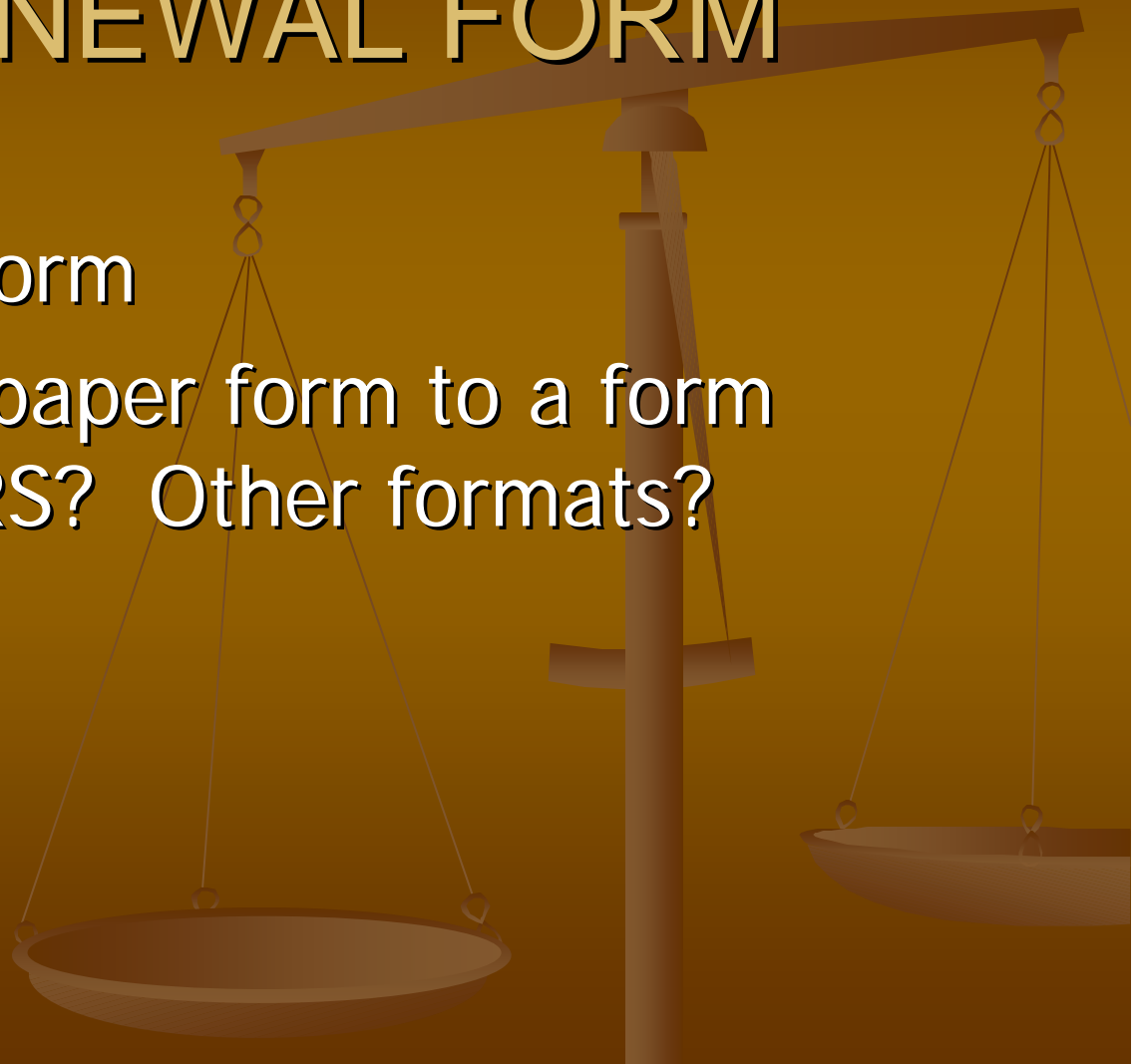


CITY DISCOVERY / AUDIT CONTRACTS

	MBIA	MRA	Parking Network
Tax Discovery	X		
Sales & Use Tax	X		
Use Tax Rebate Program	X	X	
Transient Occupancy Tax (TOT)	X		
Parking Occupancy Tax (POT)			X
Utility Users Tax (UUT)	X		

IMPROVING THE ANNUAL TAX RENEWAL FORM

- ▣ Existing paper form
- ▣ Converting the paper form to a form similar to the IRS? Other formats?
- ▣ Online filing



Web Site

- ▣ On-line filing process
- ▣ General website content



Q & A Session

