

JUL 24 2009

JOBS, BUSINESS GROWTH & TAX REFORM

MOTION

BUDGET & FINANCE

09-1858
Refer to CF 02-2658

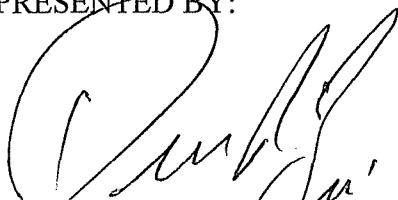
As part of a range of business tax reforms approved by the Los Angeles City Council and made effective in 2003, certain new businesses qualify for a business tax exemption. This measure, codified in LAMC Section 21.30, grants a tax exemption for qualifying new businesses for their first two years of operation. Although this reform measure has improved the business climate in the City of Los Angeles, there are further steps that can be taken to make the City more business-friendly.


According to the Office of Finance, a *qualifying new business will not be required to pay the applicable minimum tax or any additional business tax for the first two years of operation if its taxable gross receipts are less than \$500,000 and their annual tax renewal form is filed timely.*

The current exemption program's gross receipts cap results in a situation where a newly established or relocated business making \$499,999 can pay no business tax, but the same business making just one dollar more in a year would be subject to full business tax liability. The City Council should consider modifying the exemption policy to allow for the first \$500,000 of new businesses' gross receipts to be tax-exempt, rather than having a strict cut-off for eligibility. The Council should also consider raising or eliminating the eligibility cap altogether.

I THEREFORE MOVE that the Chief Legislative Analyst, the City Administrative Officer, and the Office of Finance be directed to report to the City Council with an analysis of proposed modifications to the City's business tax exemption policy for new businesses, which currently has a strict cut-off for eligibility, to instead allow for the first \$500,000 of new businesses' gross receipts to be tax-exempt, and further proposals to raise or eliminate the eligibility cap.

PRESENTED BY:


Dennis P. Zine
Councilmember, 3rd District


Greig Smith
Councilmember, 12th District

SECONDED BY:



ORIGINAL

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