

09-1914-S11

NOV 15 2011

JOBS & BUSINESS DEVELOPMENT

MOTION

In 1986, there were 147 new auto dealers located within the City of Los Angeles. In 2011, there are currently only 52 new auto dealers left. The City of Los Angeles has lost 95 dealers over the last 25 years.

New auto dealers provide a high amount of sales tax revenue to the City of Los Angeles. However, the City of Los Angeles ranked 316 out of 537 cities and unincorporated areas in per capita sales tax revenue.

The City of Los Angeles collected only \$93 per capita in FY2009-2010. If the City of Los Angeles collected \$109 per capita, the average sales tax revenue per capita collected in the County of Los Angeles, that would equate to an additional \$64 million dollars per year to the City's General Fund. That additional revenue translates directly to the City's ability to provide crucial services, such as police, fire, and infrastructure.

The City of Los Angeles collected less sales tax per capita in FY2009-2010 than El Segundo, Glendale, Beverly Hills, and Alhambra. Each of these municipalities has a lower number of residents per auto dealer than the City of Los Angeles. Where the City has 10.7% of the State's population it only contains 3.7% of the State's dealerships.

In order to effectively consider the elimination of the business tax, it is imperative to stimulate the increase in other revenue sources to act as a replacement for the potential loss of revenue anticipated. To encourage new auto dealers to locate within the City and to incentivize current auto dealers to stay in Los Angeles and reinvest in their dealerships to enable their expansion and increase in sales volume, we should consider eliminating the business tax for auto dealers.

According to the City of Los Angeles Office of Finance, in Tax Year 2011, new car dealerships generated taxable sales of \$2.9 billion. This represents approximately \$29 million in sales tax and only \$3.6 million in business tax.


According to the Greater Los Angeles New Car Dealers Association, all of the car dealers in the City of Los Angeles employ 5,200 people, and generate \$640 million in wages and benefits.


Car dealerships create a variety of high-quality jobs, including sales, finance, mechanics, service and administration. They also generate a great deal of business for the surrounding local economy, which also helps create more jobs.

Eliminating the gross receipts tax is a crucial incentive that can help bring new businesses to Los Angeles and help existing businesses stay and thrive, create jobs and breathe life into our economy. Eliminating the gross receipts tax for new car dealerships is the perfect first step because they generate so much sales tax revenue and jobs.

I THEREFORE MOVE that the City Attorney be requested to prepare an ordinance to eliminate the gross receipts tax for new car dealerships in the City of Los Angeles.

CO-PRESENTED BY:


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SECONDED BY:



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ORIGINAL

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