

**TO THE COUNCIL OF THE
CITY OF LOS ANGELES**

Your **JOB AND BUSINESS DEVELOPMENT COMMITTEE**

reports as follows:

JOB AND BUSINESS DEVELOPMENT COMMITTEE REPORT relative to the Job Creation Tax Credit and the Business Tax structure within the City.

Recommendation for Council action:

INSTRUCUT the Office of Finance to supplement the scope of work on the business tax reform study to include the following terms regarding a job creation tax benefit program:

- A. Provide the tax benefit to any business that has registered in a timely manner and does not have any outstanding, unpaid tax liability.
- B. Provide that the total tax benefit may not exceed the business's tax liability.
- C. Limit employee eligibility to residents of the City of Los Angeles.
- D. Provide a base tax benefit each year for *up* to three years of \$500 per job created, with an additional \$250 credit for employees that qualify as indigent, disabled, a veteran, a senior, newly graduated, or recently or long-term unemployed.
- E. Operate the program for five years, allowing businesses qualifying for the program in the last year to obtain multi-year benefits.
- F. Evaluate other benefit rate structures to determine the threshold at which the program would remain effective.
- G. Evaluate other terms as appropriate to identify necessary program adjustments.

Fiscal Impact Statement: The CLA reports that if successful, this tax incentive has the potential to significantly reduce City general fund revenues. There are currently approximately 425,000 businesses paying the City's business tax. Of those, 44% pay no taxes for various reasons, such as they qualify for the small business and new business exemptions. The remaining 56%, about 262,000 accounts, are estimated to generate approximately \$411 million in business tax revenues in FY 2010-2011.

Community Impact Statement: None submitted.

SUMMARY

On December 14, 2010, the Jobs, Business Development Committee considered the CLA report relative to the Job Creation Tax Credit and the Business Tax structure within the City.

After an opportunity for public comment, the Committee moved to recommend approval of the CLA report relative to the Job Creation Tax Credit and the Business Tax structure within the City. This matter is now forwarded to Council for its consideration.

Respectfully submitted,

JOBS AND BUSINESS DEVELOPMENT COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
ALARCON:	YES
KREKORIAN:	YES
PARKS:	YES

EV

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