The unemployment rate in the City of Los Angeles is 13.2 percent, well above the national average. The federal government offers employee tax credits to businesses that hire within the empowerment zone area. These tax credits are extremely effective as evidenced by the retention and expansion of business in the City of Los Angeles such as the recent announcement of Baxter Pharmaceuticals to stay in the City of Los Angeles because of the expansion of the state enterprise zone tax credits.

In December, 2009 we wrote to President Obama urging him to consider the expansion of the Empowerment Zone tax credits to municipalities, such as Los Angeles with unemployment rates above the national average. In January 2010, the Chief Legislative Analyst was instructed to include in the recommendations to the Business Tax Advisory Committee (BTAC) a job creation tax credit.

The unemployment rate in Los Angeles is still higher than the national average, and unfortunately, legislation for a new jobs tax credit at the Federal level has not yet been passed. As a result it is important to move ahead and use our local authority over our own business tax system to make recommendations that will provide tax relief to both our existing businesses, as well as new businesses with the specific intent of encouraging job creation. This effort would provide relief to existing businesses, and will compliment current recommendations being worked on by the council and the Mayor, with input from BTAC, to create job growth.

I THEREFORE MOVE that the City Attorney in consultation with the Chief Legislative Analyst, the Office of Finance, and the Business Tax Advisory Committee, be requested to prepare and present an ordinance that would create a job creation tax credit for businesses that hire new employees as follows: the tax credit shall be between $1,000 and $5,000 per new Los Angeles resident hired; and the tax credit would remain in place until the City's unemployment rate is reduced to below pre-recession levels.

PRESENTED BY: 
ERIC GARCETTI 
Councilmember, 13th District

SECONDED BY: 
GREIG SMITH 
Councilmember, 12th District

JUN 15 2010