



14-0600-5253

January 30, 2015

The Honorable Herb Wesson, Jr.
President, Los Angeles City Council
200 N. Spring Street, Room 430
Los Angeles, CA 90012

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Re: Feb. 2, 2015 Council Item #6: Budget and Finance Committee Report and Ordinance First Consideration relative to amending the Los Angeles Municipal Code relating to business taxes

Dear Council President Wesson:

Established in 1924, the Central City Association (CCA) is Los Angeles's premier business advocacy organization, with 450 members employing over 350,000 people in the Los Angeles region. As the premier voice of business, we recognize the critical role that reducing the City's onerous Gross Receipts Tax will have in attracting and retaining businesses in Los Angeles.

The City's business tax structure is not only confusing and often arbitrarily enforced, it is substantially higher than rates in surrounding cities and in most major U.S. cities. Businesses, especially those that rely on intellectual capital and not manufacturing facilities, are very mobile. They can find office space anywhere. And at a time where technology means companies do not necessarily need physical space in a city, this high tax often keeps businesses from moving here. This costs the city jobs and other forms of revenue.

These reductions to the Gross Receipts Tax are a good first step. They are a signal to businesses in the City and elsewhere that Los Angeles is getting serious about attracting new companies and encouraging those with a presence here to expand here, rather than in other cities. The tax has an impact. The City has *added* more than 888,000 people while *losing* more than 80,000 jobs since 1980, all this while the other 87 cities in Los Angeles County (which, on average, have a business tax just *one-tenth* of LA's rate) *added* 545,000 jobs. Reducing the tax tells business that the City wants jobs here.

These reductions must be permanent and they must continue. The reduction of the top rate to \$4.25 per \$1,000 over three years is a start. It still, however, keeps the tax rate on many businesses, especially the most mobile ones, significantly higher than elsewhere in the County or the nation. These cuts, while welcomed, must be the first in a series of reductions that are timed to insure the City's budget is not negatively affected, but are also timed to show business that the City is serious about ultimately cutting the Gross Receipts Tax to reasonable levels.

CCA asks for your support of item #6 and to continue to reduce the Gross Receipts Tax.

Sincerely,

Carol E. Schatz
President & CEO