



ERIC GARCETTI
MAYOR

March 26, 2020

The Honorable Members of the Los Angeles City Council
City Clerk
City Hall, Room 395

BUDGETARY IMPACTS OF A ONE YEAR GROSS RECEIPTS TAX HOLIDAY FOR THE RESTAURANT INDUSTRY

Dear Honorable Members:

SUMMARY

Per Council instruction regarding the motion introduced on March 17, 2020 (C.F. 20-0147-S48), the Office of Finance (Finance) is providing this report to describe the potential budgetary impact of providing a one-year gross receipts tax holiday for the restaurant industry.

RESPONSE

The City of Los Angeles receives approximately \$10 million in annual business tax receipts from business establishments identified as providing restaurant services. This includes full service restaurants which are defined as establishments primarily engaged in providing food services to patrons who order and are served while seated and pay after eating, and limited service restaurants which are defined as establishments primarily engaged in providing food services (except snack and nonalcoholic beverage bars) where patrons generally order or select items and pay before eating.

A more detailed breakdown of reported business tax activity by gross receipt range is provided in attachment A.

Sincerely,

Claire Bartels
Director of Finance / City Treasurer

Attachment A: 2019 Business Taxes – Restaurant Industry

The following is a detailed breakdown of 2019 business taxes by range of reported gross receipts:

Full Service Restaurants

Annual Gross Receipts	# of Locations	Total Principal Paid	Average Principal Paid	Median Principal Paid	Total Gross Receipts	Average Gross Receipts	Median Gross Receipts
Less than 100,000	1,673	\$ 59,269.72	\$ 32.73	\$ -	32,625,495	18,015	0
100,000 - 250,000	626	\$ 156,427.02	\$ 249.88	\$ 232.41	107,153,088	171,171	169,506
250,000 - 500,000	744	\$ 379,458.80	\$ 507.98	\$ 487.68	277,112,097	370,967	370,539
500,000 - 750,000	602	\$ 492,062.63	\$ 817.38	\$ 785.50	371,132,532	616,499	611,557
750,000 - 1 Million	433	\$ 500,772.14	\$ 1,156.52	\$ 1,122.68	378,244,651	873,544	871,052
1 Million - 2 Million	1,035	\$ 1,949,886.32	\$ 1,880.31	\$ 1,800.86	1,489,654,640	1,436,504	1,397,712
2 Million - 5 Million	782	\$ 3,123,630.44	\$ 3,989.31	\$ 3,684.27	2,374,427,850	3,032,475	2,848,630
5 Million - 10 Million	131	\$ 1,070,908.83	\$ 8,174.88	\$ 7,697.43	829,841,190	6,334,666	6,060,968
Over 10 Million	31	\$ 673,003.48	\$ 21,709.79	\$ 15,501.62	529,909,737	17,093,862	12,205,513
Total	6,057	\$ 8,405,419.38	\$ 1,387.72	\$ 632.46	6,390,101,280	1,054,994	465,680

425 Full Restaurant locations received Small Business Exemption credits for tax period 2019 totaling \$35,788.

Limited Service Restaurants

Annual Gross Receipts	# of Locations	Total Principal Paid	Average Principal Paid	Median Principal Paid	Total Gross Receipts	Average Gross Receipts	Median Gross Receipts
Less than 100,000	876	\$ 8,873.57	\$ 9.98	\$ -	14,930,563	16,795	0
100,000 - 250,000	255	\$ 64,792.06	\$ 254.09	\$ 226.06	42,062,481	164,951	156,383
250,000 - 500,000	296	\$ 157,905.54	\$ 533.46	\$ 492.76	109,705,601	370,627	372,323
500,000 - 750,000	211	\$ 173,531.23	\$ 822.42	\$ 781.05	129,328,340	612,931	610,213
750,000 - 1 Million	152	\$ 175,789.55	\$ 1,156.51	\$ 1,093.38	131,353,042	864,165	852,030
1 Million - 2 Million	291	\$ 532,026.27	\$ 1,828.27	\$ 1,746.25	410,024,284	1,409,018	1,364,898
2 Million - 5 Million	77	\$ 290,271.65	\$ 3,769.76	\$ 3,310.89	217,195,005	2,820,714	2,597,920
5 Million - 10 Million	11	\$ 85,364.32	\$ 7,760.39	\$ 7,236.46	67,210,688	6,110,063	5,698,000
Over 10 Million	5	\$ 98,623.12	\$ 19,724.62	\$ 13,449.30	77,653,835	15,530,767	10,589,068
Total	2,174	\$ 1,587,177.31	\$ 730.07	\$ 309.88	1,199,463,840	551,731	208,000

211 Limited Service Restaurant locations received Small Business Exemption credits for tax period 2019 totaling \$17,594.