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MOTION

The City of Los Angeles is facing an unemployment rate of 13% and is in one of the worst economic downturns in its history. During these times of economic turmoil and in order to create jobs, the City must take drastic action to reduce the cost of location a business within the city as well as expanding current businesses.

In 2009, the City Council reconstituted the Business Tax Advisory Committee (BTAC) to work to make Los Angeles more business-friendly and to create jobs. In September 2011, BTAC made its recommendations outlining a roadmap for how to completely eliminate the gross receipts tax. The Chief Administrative Officer and the Chief Legislative Analyst also reported back with an analysis of how to reform the gross receipts tax. In November 2011, Councilmember Garcetti requested the Office of Economic Analysis (OEA) provide further analysis on how to best eliminate the gross receipts tax. The OEA is currently analyzing this data and its preliminary findings are expected at the end of March. The OEA's data will inform our discussion of pending proposals to extend the business tax holiday, freeze the current tax base, and eliminate the business tax.

Los Angeles Municipal Code 21.45 places radio and television broadcasters in class 5 and sets forth that "gross receipts shall be apportioned in a manner that is fairly calculated to determine the amount of gross receipts derived from or attributable to engaging in business in the City." Broadcasters generate gross receipts from the sales of advertising time on their respective stations. Some of this revenue is "national revenue," revenue generated by sales of advertising time at the national level, usually by a corporate office in another city. By contrast, local advertising revenue is usually generated by a sales force employed by the station, which negotiates sales contracts with advertisers and ad agencies at various locations inside and outside the city limits.

The activities of broadcasters are multi-jurisdictional and thus, their gross receipts are attributable to activities engaged in both within and outside of the City. The radio and television broadcasting industries seek clarity, consistency, and equity in the methodology used to apportion the gross receipts of their industry for business tax purposes.

I THEREFORE MOVE that the Council instruct the Chief Legislative Analyst and Chief Administrative Officer, with the assistance of the Office of Finance, to re-evaluate the City's taxing system for radio and television broadcasting industries and report back on different taxing methods, including a maximum tax similar to the entertainment production cap.

PRESENTED BY: Eric Garcetti
ERIC GARCETTI
Councilmember, 13th District

SECONDED BY: Paul Kurborn

Mr
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