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**CARMEN A. TRUTANICH**  
City Attorney

REPORT NO. R 10 - 0381  
NOV 04 2010

**REPORT RE:**

**DRAFT ORDINANCE AMENDING SUBSECTION (c) OF SECTION 21.109 OF  
ARTICLE 1 OF CHAPTER II OF THE LOS ANGELES MUNICIPAL CODE**

The Honorable City Council  
of the City of Los Angeles  
Room 395, City Hall  
200 North Spring Street  
Los Angeles, California 90012

Council File No. 10-1238

Honorable Members:

Pursuant to your request, this Office has prepared an ordinance amending subsection (c) of Section 21.109. This amendment would increase the Entertainment Production Cap from \$2,500,000 to \$5,000,000.

Background

Under current Section 21.109, a motion picture, television, or radio producer pays a "flat tax" of \$145 on the first \$2,500,000 of the gross cost of production of motion pictures, television programs, radio programs and advertising materials.<sup>1</sup> This "flat tax" is known as the Entertainment Production Cap. For costs of production greater than \$2,500,000, producers pay a tax of \$1.30 per \$1,000 in excess of \$2,500,000 on the items taxed. The maximum tax imposed cannot exceed \$12,495 on measures greater than \$12,000,000.

<sup>1</sup> Section 21.109 also places a tax on the gross receipts received by the producer in return for the lending of the services of employees as described herein; and the gross receipts received by the producer in return for the furnishing of studio facilities.

Effect of Amendment

As amended, the Entertainment Production Cap would be increased to \$5,000,000. Consequently, businesses that qualify for this tax treatment would pay a business tax of \$145 on the first \$5,000,000 of the gross cost of production.

Council Rule 38

We have provided a copy of this draft ordinance to the Office of Finance and requested that they provide any comments they have directly to your Honorable Body or your committees when this matter is considered.

If you have any questions regarding this matter, please contact Deputy City Attorney Daniel M. Whitley, at (213) 978-7786. He or another member of this Office will be present when you consider this matter to answer any questions you may have.

Very truly yours,

CARMEN A TRUTANICH, City Attorney

By   
PEDRO B. ECHEVERRIA  
Chief Assistant City Attorney

PBE:DMW:cm  
Transmittal

**ORDINANCE NO. \_\_\_\_\_**

An ordinance amending Subsection (c) of Section 21.109 to increase the Entertainment Production Cap to \$5,000,000.

**THE PEOPLE OF THE CITY OF LOS ANGELES  
DO ORDAIN AS FOLLOWS:**

Section 1. Subsection (c) of Section 21.109 of the Los Angeles Municipal Code is amended to read:

(c) The taxes imposed for the privilege of engaging in the businesses described in this section shall be \$145.00 per year or fractional part thereof for the first \$5,000,000.00 of the measure of tax, plus \$1.30 per year for each additional \$1,000.00 of the measure of tax or fractional part thereof in excess of \$5,000,000.00, provided that the maximum tax shall be \$9,245.00 for all measures of tax greater than \$12,000,000.00.

Sec. 2. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, at its meeting of \_\_\_\_\_.

JUNE LAGMAY, City Clerk


By \_\_\_\_\_ Deputy

Approved \_\_\_\_\_

\_\_\_\_\_  
Mayor

Approved as to Form and Legality

CARMEN A. TRUTANICH, City Attorney

By  \_\_\_\_\_  
DANIEL M. WHITLEY  
Deputy City Attorney

Date \_\_\_\_\_

File No. \_\_\_\_\_