

MOTION

BUDGET & FINANCE

Over the past 15 years, the City Council has approved a number of actions to modify the City's gross receipts tax (business tax) to simplify the tax structure, attract new business and make the City more business friendly. These actions have included exemptions for small businesses, new businesses, creative artists and new car dealerships, tax relief for production companies and internet businesses, and reductions in business tax rates. The City Council recently approved a reduction in the business tax rate for those in the highest paying tax category. The City has also reduced and consolidated the number of tax categories, thereby simplifying the business tax structure.

The City collects approximately \$450 million in business tax each year. This, combined with the City's other major sources of revenue, provides for basic services, including police and fire protection, street improvements and transportation services. Many requests have been made over the years to quantify the impacts of business tax reform, not only its impact on the City's ability to deliver services, but to businesses which provide employment and services to the people of Los Angeles. In order to best identify appropriate future measures with regard to the City's business tax, it is necessary to ensure that any proposed adjustment to the tax structure and rate are 1) specifically targeted to businesses which will have the greatest impact on the local economy; 2) will result in jobs creation for lower and middle income earners; 3) will result in a strong fiscal position for the City; and, 4) will ensure the City's continued ability to deliver basic services to its citizens.

I THEREFORE MOVE, that the City Administrative Officer, with assistance from the Office of Finance, be instructed to ensure that all future changes to the City's business tax structure be accompanied by an independent analysis which addresses, but is not limited to, the following issues:

- a. an analysis of those businesses/categories of businesses impacted by the proposed changes
- b. the fiscal impact to the City of the proposed changes
- c. an analysis of the impact the proposed changes on the City's ability to attract or retain businesses, including type of businesses, in the City
- d. an analysis that isolates the impacts resulting strictly from changes in the business tax, and factors out economic growth not attributable to a modification in the business tax or business tax structure
- e. a comparison to other cities in the region
- f. other potential reforms that will have the same impact on local businesses and on the local economy

I FURTHER MOVE, that the Office of Finance report on past business tax reforms and the resulting impact of those reforms on businesses, including an analysis of the number and types of new businesses in the City, the number and types of business licenses which are not renewed, and the number of business licenses issued by category.

PRESENTED BY

BERNARD C. PARKS
Councilmember, 8th District

PAUL KREKORIAN
Councilmember, 2nd District

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SECONDED BY

ORIGINAL