



ERIC GARCETTI
MAYOR

June 11, 2021

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

SUBJECT: 2020-21 TAX PENALTY AMNESTY PROGRAM (CF 20-1055)

Dear Honorable Members:

This report summarizes the 2020 Tax Penalty Amnesty Program, revenue generated, costs, and as required under Ordinance 186785, reports to the City Council the number of taxpayers (businesses) for whom penalties were waived and the total amount of penalties waived.

Background

The Office of Finance (Finance) proposed that the City implement a tax penalty amnesty program (Amnesty Program) to assist taxpayers in meeting outstanding tax obligations during these current economic conditions while providing an opportunity to generate one-time General Fund revenue without raising taxes. This proposal was designed to provide businesses, both registered and unregistered, a voluntary opportunity to clear their tax records and avoid penalties for up to 40 percent of taxes due, and with essentially no questions asked. Should businesses fail to take advantage of the program, they risk detection or audit and the full range of penalties which would be assessed. The proposed participation timeframe for the Amnesty Program was from October 2020 through December 2020. This schedule would be most effective because it allows for Finance staff to administer and complete the Amnesty Program just in time to then redeploy staff to focus on the annual business tax renewal cycle that ramps up every January.

The program was successful, generating approximately \$20.6 million in revenue from 6,190 businesses. This amount met the higher estimate of collections which had been forecasted between \$15 million and \$20 million, an estimate based on the performance of similar past programs administered through Finance. The revenue collected was a significant achievement given pandemic-related restrictions on interacting with the



public and other staff, the overall economic condition of our business community during these restrictions, the large number of staffing vacancies within Finance and in Enforcement Unit in particular, and no authority to hire additional staff nor additional budgetary funding to pay for program related costs. Overall businesses were granted \$3.6 million in penalty waivers. The exemplary work of Finance staff and a comprehensive public outreach campaign contributed to the program's success. Details of the outreach campaign are included in Attachment A.

Program Requirements and Provisions

The program included the following requirements: 1) filing an application or indicating participation in the program when bill payment was made within the designated period of October 1, 2020, through December 17, 2020; 2) filing of necessary gross receipts or tax measure statements for all tax periods due; and 3) payment in full for the principal taxes, interest, and any collection fees due.

Program Results

The program has resulted in \$20,597,471.52 in revenue to date with Penalties waived to date totaling \$3,625,963.15. The following table illustrates by tax type, the number of businesses, revenue, and penalty amount waived:

Tax Type	Businesses	Revenue	Penalty Waived
Business Tax	5,983	\$ 17,394,720.66	\$ 3,221,324.99
Parking Occupancy Tax	112	\$ 830,828.84	\$ 111,907.48
Transient Occupancy Tax	65	\$ 1,647,058.05	\$ 237,392.26
Communications Users Tax	13	\$ 336,971.61	\$ 14,231.04
Other Taxes	17	\$ 387,892.36	\$ 41,107.38
Totals:	6,190	\$ 20,597,471.52	\$ 3,625,963.15

Program Costs

The program costs were approximately \$85,000 which provided funding primarily for outreach advertising and mailing. Program costs and associated staffing costs were absorbed as part of Finance's 2020-21 operating Budget.

Recommendations

Note and file this report, inasmuch as the report is submitted for information only and no Council action is necessary.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Diana Mangioglu', with a stylized, cursive script.

Diana Mangioglu
Director of Finance / City Treasurer

Attachment A

2020 Tax Amnesty Public Outreach Campaign

Radio: Three hundred and fifty-one (351) 30-second paid advertisement announcements and 15-second public service announcements were broadcast on radio stations KFI 640, KLAC 570 and KEIB 1150 during the amnesty period (October through December 2020).

Print Media: Advertisements publicizing the program ran in 6 periodicals, including the Los Angeles Times, the Los Angeles Daily News, LA Sentinel, Los Angeles Business Journal, San Fernando Business Journal, and La Opinion (Spanish).

Direct Mailers: Over 135,000 amnesty notifications were sent in a series of direct mailers from September through November 2020. The mailers were sent to all businesses with delinquent and outstanding tax liabilities in the LATAX system, in the format of new billings or inserts to ongoing billings during this timeframe. Finance units overseeing Audit, Field Enforcement and Citywide Collections, as well as, the City's external collection agency partners also sent personalized letters directly to delinquent businesses.

Internet and Digital Media: Finance created a special program page on its website at finance.lacity.org/amnesty. This webpage provided program details and answers to frequently asked questions. Finance also highlighted the amnesty program from September through December 2020 in its monthly newsletter to businesses it sends to over 200,000 businesses each month.