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**CITY OF LOS ANGELES OFFICE OF FINANCE  
TAX AND PERMIT DIVISION  
CITY CLERK'S RULING NO. 2 (NEW SERIES):  
CONTRACTORS**

Reference: Section 21.188 Los Angeles Municipal Code

**DEFINITIONS:**

**Contractor.** The term "contractor" as defined in Section 21.188 Los Angeles Municipal Code means any person who, in any capacity other than as an employee of another with wages as the sole compensation, undertakes or offers to undertake any job or project upon land including the erection, alteration, improvement, or repair of any type of structure; plumbing, plastering, sheet metal, electrical, cement or tile work; excavating; erection of scaffolding; construction of roads, railroads, pipe lines, or who undertakes other construction jobs or projects upon land. The term "contractor" includes subcontractor. The term "contractor" does not include the owner of land who contracts for a job or project thereon with a State licensed contractor, architect or civil engineer.

**Gross Receipts.** The term "gross receipts" as defined in Sections 21.00(a) and 21.188 of the Los Angeles Municipal Code means the total cost, to the person letting the contract, of the job or project covered by the contract to which the contractor is a party. No deductions may be made therefrom for subcontracts or other costs or expenses, irrespective of whether the contract is one upon a fixed price or a cost plus basis or one under which the contractor acts as the agent of the person letting the contract. The term "gross receipts" does not include receipts derived from jobs or projects located outside this City. The term "contract" includes both oral and written contracts.

**Services Rendered Within the City by Employees and Consultants.**

"Employees" in this sense means all bona fide employees of the contractor and includes executive and office personnel, architects, engineers, journeymen and shop workers. "Consultants" in this sense means independent engineers, architects and similar consultants, excepting independent legal and accounting consultants.

**IMPOSITION OF THE TAX:**

Every contractor not having a fixed place of business within the City who undertakes jobs or projects located within the City shall obtain a Business Tax Registration Certificate and pay an annual tax in an amount measured by the gross receipts derived from jobs or projects located within the City. Every contractor having a fixed place of business within the City shall obtain a Business Tax Registration Certificate and pay an annual tax (a) in an amount measured by the gross receipts derived from jobs or projects located within the City, plus (b) an amount measured by the total salaries, wages, fees and other compensation paid to employees and consultants, other than legal and accounting consultants, for services rendered within the City in connection with jobs or projects located outside the City. Every contractor having a fixed place of business within the City but who undertakes no jobs or projects located within the City shall obtain a Business Tax Registration Certificate and pay the annual tax minimum plus an amount measured by the total salaries, wages, fees and other compensation paid to

employees and consultants, other than legal and accounting consultants, for services rendered within the City. The amount of compensation and fees paid independent legal and accounting consultants is excluded from the measure of the tax.

**ALLOCATION OF SALARIES, WAGES, FEES, OR OTHER  
COMPENSATION PAID EMPLOYEES AND CONSULTANTS FOR  
SERVICES RENDERED WITHIN THE CITY:**

Where a contractor performs contracts both within and outside the City, the amount of the tax measured by salaries, wages, fees or other compensation paid to employees and consultants for services rendered in the City in connection with jobs or projects located outside the City, shall be determined in the following manner:

The total amount paid to employees and consultants for all services rendered in the City shall be apportioned to jobs and projects located outside the City in the same ratio that receipts from jobs and projects outside the City bear to the total receipts from all jobs and projects. The amount so apportioned to jobs and projects outside the City shall then constitute the measure for this portion of the tax.

**REPORT AND PAYMENT OF THE TAX:**

The required statement shall be filed and payment of the tax made on or before the last day of February each year. For the purpose of reporting and paying the tax the required statement shall set forth the following: 1. As "gross receipts" the total amount billed or due under contractual terms during the preceding calendar year; and where the contractor has a fixed place of business in the City; 2. As salaries, wages, etc., the total amount of compensation paid to employees and consultants, other than legal and accounting consultants, during the preceding calendar year for services rendered in the City in connection with jobs and projects located outside the City. Any person newly engaged in business in the City as a contractor shall, not later than the last day of the month following the month in which the business was started, apply for a Business Tax Registration Certificate and pay the required minimum tax in accordance with the provisions of Section 21.13(a) 1 of the Los Angeles Municipal Code.

I, Walter C. Peterson, City Clerk of the City of Los Angeles, pursuant to the authority granted me in Section 21.15(h) of the Los Angeles Municipal Code, as amended by Ordinance No. 115,044, do hereby adopt and promulgate the foregoing rule and regulation as a restatement and continuation of Office of Finance's Ruling No. 2 (New Series) adopted by me on July 19, 1956 and revised by me on January 15, 1957, pertaining to the collection of Los Angeles Business Taxes and the enforcement of Article 1, Chapter 2 of the Los Angeles Municipal Code.

s/Walter C. Peterson

WALTER C. PETERSON, CITY CLERK

APPROVED:

ROGER ARNEBERGH, CITY ATTORNEY

BY s/James A. Doherty

Assistant City Attorney

Date September 14, 1960

**ILLUSTRATION OF THE COMPUTATION OF THE TAX**

**SECTION 21.188**

1. **Established Place of Business Located Outside the City.** Contractor "X" - Gross receipts from jobs or projects located within the City, \$125,692.

First \$60,000 of gross receipts ----- \$177.38

Balance of \$65,692 of gross receipts at  
\$1.18 per \$1,000 or fraction ----- \$77.88

Total Tax ----- \$255.26

2. **Established Place of Business Located Within the City.** No jobs or projects undertaken WITHIN the City.

Contractor "Y" - Wages, salaries, fees, etc., paid employees and consultants for services rendered within the City in the preceding calendar year, \$8,000.

\*(a) Gross receipts from jobs or projects located within the City, NONE

Minimum tax applies ----- \$177.38

(b) Total compensation paid employees and consultants for services rendered within City,

\$8,000 at \$2.96 per \$1,000 or fraction ----- \$23.68

Total Tax ----- \$201.06

\*Minimum tax applies without regard to the fact that no jobs or projects are undertaken within the City.

3. **Established Place of Business Located Within the City.** Jobs or Projects located both WITHIN and OUTSIDE the City.

Contractor "Z" - Within City gross receipts, \$100,000.

Outside City gross receipts, \$50,000.

Total wages, salaries, fees, etc. paid to employees and consultants for all services rendered within the City, \$10,000.

(a) First \$60,000 of gross receipts from within the City ----- \$177.38

Balance of \$40,000 of gross receipts from within the City at \$1.18 per \$1,000 or fraction ----- \$47.20

(b) Ratio of gross receipts from outside City to total gross receipts \$50,000 to \$150,000, or one-third. One-third of \$10,000 total compensation paid employees and consultants for services rendered in the City, \$3,333.33.

\$3,333.33 at \$2.96 per \$1,000 or fraction----- \$11.84

Total Tax----- \$236.42

NOTE: Where no jobs or projects are undertaken outside the City, the gross receipts of jobs and projects located within the City are the sole measure of the tax.

**CITY OF LOS ANGELES  
OFFICE OF FINANCE  
TAX AND PERMIT DIVISION  
CITY CLERK'S RULING NO. 3 (NEW SERIES):  
COMMISSION MERCHANTS, COMMISSION BROKERS, COMMISSION  
AGENTS DEALING IN TANGIBLE PERSONAL PROPERTY**

Reference: Sections 21.79, 21.166 and 21.167 Los Angeles Municipal Code.

**GENERAL STATEMENT**

A commission merchant, broker or agent subject to tax under the provisions of Section 21.79 L.A.M.C. is a person who, as an independent contractor, carries on activities as follows:

- (a) For a fee, commission, charge or other compensation of any character, engages in the occupation of bringing buyers and sellers together in order that such buyers and sellers may negotiate, or who negotiates or arranges terms and conditions for buyers and sellers, for the purpose of effecting the sale of tangible personal property.
- (b) In certain categories of personal property, principally those of bulk commodities such as agricultural products, minerals, metals, etc., persons engaged as above, for the convenience of their clients or in the custom of the particular trade in which they are engaged, may, for short periods of time, take actual title to commodities and for short periods of time before, during or after transit, store or warehouse the commodities. In such cases they do not themselves do, or cause to have done, any manufacturing, refining, fabricating, milling, treating or other processing of the commodities subsequent to the time they take title.
- (c) In addition to the foregoing activities, some brokers and agents buy and sell commodities for their own account, with their profit or loss as the case may be, dependent upon the difference in the prices at which the commodities are bought and sold.

**RULING OF THE CITY CLERK**

Where a commission merchant, broker or agent engages in business only as described in (a) above the measure of the tax is the gross amount of fees, commissions or other compensation received; where a commission merchant, broker or agent engages in business as described in both (a) and (b) above the measure of the tax is the gross amount of fees, commissions or other compensation earned in transactions where no title to property is taken, plus the gross trading profits, without any deduction for trading losses, from transactions in which title to property is taken but in which title is not held, or the property is not warehoused or stored, in any particular transaction for a period longer than 48 hours, exclusive of transit. Where, as described in (c) above, a commission merchant, broker or agent buys and sells personal properties for his own account or, where a commission merchant, broker or agent takes title to personal property but where the property is held, including storage or warehousing, exclusive of actual transit, for a period longer than 48 hours in any particular transaction, separate tax or taxes under Section 21.166 and/or 21.167 according to whether the sales are made at

wholesale or retail or both, shall be required to be paid with the tax measured by the gross receipts of the sales. Demurrage in transportation is deemed to be storage.

**COMMISSION MERCHANTS, BROKERS OR AGENTS LOCATED  
OUTSIDE THE CITY**

A commission merchant, broker or agent who has his established place of business located outside the City, but who solicits or engages in transactions in the City, as described in (a) or both (a) and (b) above, is subject to the provisions of Section 21.79 with the tax measured by the fees, charges, commissions or other compensation from transactions as described in (a), plus gross trading profits earned as described in (b), attributable to activities carried on within the City. Where any out-of-City commission merchant, broker or agent engages in transactions as described in (c) above, City Clerk's Ruling No. 13 (New Series) shall apply.

I, Walter C. Peterson, CITY CLERK of the City of Los Angeles, pursuant to authority granted me in Section 21.15(h) of the Los Angeles Municipal Code, as amended by Ordinance No. 115,044, do hereby adopt and promulgate the foregoing rule and regulation as a restatement and continuation of CITY CLERK'S Ruling No. 3 adopted by me on August 11, 1953, and revised on September 26, 1956, and September 14, 1960, pertaining to the collection of Los Angeles Business Taxes and the enforcement of Article 1, Chapter 2 of the Los Angeles Municipal Code.

s/Walter C. Peterson

WALTER C. PETERSON, CITY CLERK

APPROVED:

ROGER ARNEBERGH, CITY ATTORNEY

By s/James A. Doherty

Assistant City Attorney

Date December 16, 1964

**CITY OF LOS ANGELES  
OFFICE OF FINANCE  
TAX AND PERMIT DIVISION  
CITY CLERK'S RULING NO. 7 (NEW SERIES):  
APPLICATION OF BUSINESS TAX ORDINANCE TO SOCIAL CLUBS,  
AUTOMOBILE CLUBS, GOLF AND COUNTRY CLUBS, EMPLOYEES'  
ASSOCIATIONS, ETC.**

Reference: Article 1, Los Angeles Municipal Code and City Attorney's Opinion of August 11, 1953. All clubs or associations, including social clubs, automobile clubs, golf and country clubs, employees' associations, etc. are subject to the provisions of the Business Tax Ordinance. The definition of the word "person" specifically includes **all** clubs and **all** associations. Only certain specifically described nonprofit organizations and, in some cases, only certain activities of these organizations are exempted from the tax (see Section 21.190(c) 2, 3, 4; and Section 21.22(a) L.A.M.C.). Clubs or associations engaged in the operation of dining rooms or other departments in which meals or tangible personal property is sold to the members or employees of the club or association, and guests of such members or employees, must obtain Registration Certificates and pay the tax imposed by Section 21.167 L.A.M.C. even though the clubs or associations are operated upon bona fide nonprofit basis, and such sales are confined to members and employees of the club or association or their guests. The sale of services, except such as may be specifically taxed under other provisions of the article, properly belongs under Section 21.190 and clubs and associations are subject to the provisions of Section 21.190 when they are engaged in activities within the scope of the Section, excepting when the activity of the club or association is specifically exempted under the provisions of Section 21.190(c) 4. Section 21.190(c) 4 L.A.M.C. contains the express provision that insofar as "...Rotary, Kiwanis and Lions Clubs, nonprofit automobile clubs, Chambers of Commerce, and other community service organizations"..." trade associations such as Merchants Plumbers Association, Merchants and Manufacturers Association and labor organizations..." may be taxable under Section 21.190, their receipts are not to be considered "gross receipts." But the exemption so granted in Subsection (c) 4 of Section 21.190 cannot be extended to other activities which are taxable under other provisions of the Business Tax Ordinance. If an activity subject to provisions of the Business Tax Ordinance occurs only rarely, the operation may not constitute "engaging in business." Each case will rest upon its own facts and borderline cases must be referred to the Office of Finance for individual rulings.

I, Walter C. Peterson, CITY CLERK of the City of Los Angeles, pursuant to authority granted me in Section 21.15(h) of the Los Angeles Municipal Code, as amended by Ordinance No. 115,044, do hereby adopt and promulgate the foregoing rule and regulation as a restatement and continuation of Office of Finance's Ruling No. 7 adopted by me on November 10, 1953 and revised by me on July 19, 1956, pertaining to the collection of Los Angeles Business Taxes and the enforcement of Article 1, Chapter 2 of the Los Angeles Municipal Code.

s/Walter C. Peterson

WALTER C. PETERSON, CITY CLERK

APPROVED:

ROGER ARNEBERGH, CITY ATTORNEY

By s/James A. Doherty

Assistant City Attorney

Date September 14, 1960

CITY OF LOS ANGELES  
OFFICE OF FINANCE  
TAX AND PERMIT DIVISION  
CITY CLERK'S RULING NO. 8 (NEW SERIES):  
DISCOUNTS, ALLOWANCES, ETC.

Reference: Section 21.00(a) L.A.M.C. which defines "gross receipts" states that, among other things, "gross receipts" include: "The total amount of the sale price of all sales, ...". This Section also states: "...cash discounts allowed or taken on sales shall not be included, ..." (in "gross receipts"); it does not permit the deduction of "...any ...expense whatsoever." The specific statement excluding only CASH discounts from "gross receipts" as defined in Section 21.00(a) L.A.M.C. shall not be construed as a limitation meaning that other amounts reducing sales prices must be included as "gross receipts" for the reason that they may be termed, for example, as "trade discounts," "quantity discounts," "allowances," etc. In some cases amounts which are so designated actually reflect a method of stating different sales prices when products are sold to different classifications of buyers.

**Example A:** A seller of automobile tires offers progressive or multiple discounts from "list prices" to automobile manufacturers, tire distributors, tire dealers and other purchasers. A typical quotation might be "less 30- 10-10." In these cases the **actual sales price** (less any additional cash discount), even when arrived at through the application of some form of progressive or multiple discount, will constitute "gross receipts."

**Example B:** A manufacturer and wholesaler of ice cream publishes a price list offering his products at successively lower overall prices per gallon when purchases reach 5 gallons, 10 gallons, 20 gallons, 30 gallons, 50 gallons and so on, within a stated period of time. In the foregoing, even though the "list" or base price is originally "charged" customers, where the "sale price" is reduced in ratio to quantities purchased, retroactive credits allowed as the result of such quantity purchases may be excluded from "gross receipts." In other cases, items designated as "discounts," "allowances," etc., actually constitute expenses of sellers and may not be excluded when computing "gross receipts." Nothing herein shall be construed to permit the deduction of amounts which are properly expenses of sellers.

**Example C:** The manufacturer of Blank's Cereal credits customers' accounts with \$1.00 for each case purchased provided customers produce evidence of payment of amounts at least equal to that credited, for advertising of Blank's Cereal, usually in "neighborhood" publications. These amounts are often shown as "advertising allowances" or "advertising discounts" on customers' invoices and are sometimes accounted for by reductions of "sales." In these cases, regardless of the method of accounting for the transactions, the "discount" or "allowance" is not a reduction in sales price but is, in fact, an advertising expense of the seller. The Office of Finance, in making determinations involving applications of various types of "discounts," will be guided by the substance rather than by the form of the transactions. Inasmuch as trade practices in connection with discounts generally vary greatly as well as methods of accounting therefor, the Office of Finance will base his determinations upon the primary purpose of the transactions rather than the

terminology and accounting form followed. Transactions substantially different in detail from those described herein must be submitted to the Office of Finance for individual rulings thereon.

I, Walter C. Peterson, City Clerk of the City of Los Angeles, pursuant to authority granted me in Section 21.15(h) of the Los Angeles Municipal Code, do hereby adopt and promulgate the foregoing rule and regulation as a restatement and continuation of Office of Finance's Ruling No. 8 adopted by me on November 10, 1953 under the provisions of Article 1, Chapter 2 of the Los Angeles Municipal Code then existing.

s/Walter C. Peterson

WALTER C. PETERSON, CITY CLERK

APPROVED:

ROGER ARNEBERGH, CITY ATTORNEY

By s/James A. Doherty

Assistant City Attorney

Date August 9, 1956

**CITY OF LOS ANGELES  
OFFICE OF FINANCE  
TAX AND PERMIT DIVISION  
CITY CLERK'S RULING NO. 9 (NEW SERIES):  
NOTARIES PUBLIC**

Reference: Section 21.190 Los Angeles Municipal Code. Notaries Public who, for a fee or charge, perform notary services are subject to the tax imposed under Section 21.190. The measure of the tax shall include the total amount of the fees charged for such notary services. Where a Notary Public is also engaged in another business subject to tax under Section 21.190, such as Attorney, Public Stenographer, Real Estate Broker, etc., the total charges, fees, commissions or other compensation received from all such activities shall be included in the measure of the tax imposed under that section. In such cases, only one Registration Certificate is required. (Section 21.190(b)).

I, Walter C. Peterson, City Clerk of the City of Los Angeles, pursuant to authority granted me in Section 21.15(h) of the Los Angeles Municipal Code, as amended by Ordinance No. 115,044, do hereby` adopt and promulgate the foregoing rule and regulation as a restatement and continuation of Office of Finance's Ruling No. 9 adopted by me on January 4, 1954 and revised by me on July 19, 1956, pertaining to the collection of Los Angeles Business Taxes and the enforcement of Article 1, Chapter 2 of the Los Angeles Municipal Code.

s/ Walter C. Peterson

WALTER C. PETERSON, CITY CLERK

APPROVED:

ROGER ARNEBERGH, CITY ATTORNEY

By s/James A. Doherty

Assistant City Attorney

Date September 14, 1960

**CITY OF LOS ANGELES  
OFFICE OF FINANCE  
TAX AND PERMIT DIVISION  
CITY CLERK'S RULING NO. 10 (NEW SERIES):  
EMPLOYEE RETENTION, DEMONSTRATION AND DISPLAY OF GOODS,  
WARES OR MERCHANDISE**

Reference: Section 21.192 Los Angeles Municipal Code.

Persons engaged in business as sellers of goods, wares, or merchandise and taxed under Sections 21.166 or 21.167 of the Los Angeles Municipal Code who for a charge furnish goods, wares or merchandise, of the kind held for sale, to their bona fide employees for retention, demonstration and display by such employees, are not by reason of such charges the lessors of tangible personal property within the meaning of Section 21.192 Los Angeles Municipal Code. The receipts derived from the charges made for the furnishing of such goods, wares or merchandise shall be included, if done in connection with a wholesale business, in the measure of the wholesale tax, or, if done in connection with a retail business, in the measure of the retail tax.

I, Rex E. Layton, City Clerk of the City of Los Angeles, pursuant to the authority granted me in Section 21.15(h) of the Los Angeles Municipal Code, as amended by Ordinance No. 115,044, do hereby adopt and promulgate the foregoing rule and regulation as a restatement and continuation of Office of Finance's Ruling No. 10 adopted on June 25, 1953, and revised on August 9, 1956 and September 14, 1960 pertaining to the collection of Los Angeles Business Taxes and the enforcement of Article 1, Chapter 2 of the Los Angeles Municipal Code.

s/Rex E. Layton

REX E. LAYTON, CITY CLERK

APPROVED:

ROGER ARNEBERGH, CITY ATTORNEY

By s/Thomas C. Bonaventura

Assistant City Attorney

Date September 24, 1970

**CITY OF LOS ANGELES  
OFFICE OF FINANCE  
TAX AND PERMIT DIVISION  
CITY CLERK'S RULING NO. 11 (NEW SERIES):  
FEDERAL TAXES**

Reference: Subsection (a) Section 21.00 Los Angeles Municipal Code.

The reference to federal taxes imposed on or with respect to retail sales contained in Section 21.00 (a) Los Angeles Municipal Code shall mean the Retailers' Excise Taxes imposed under Chapter 31 of Title 26, United States Code (26 U.S.C.A. 4001, et seq.). The reference to federal manufacturers' and importers' excise taxes contained in said section shall mean the Manufacturers' Excise Tax imposed under Chapter 32 of Title 26 of the United States Code (26 U.S.C.A. 4061, et seq.) and Import Taxes imposed under Chapter 38 of Title 26 of the United States Code (26 U.S.C.A. 4521, et seq.).

I, Walter C. Peterson, City Clerk of the City of Los Angeles, pursuant to authority granted me in Section 21.15(h) of the Los Angeles Municipal Code, as amended by Ordinance No. 115,044, do hereby adopt and promulgate the foregoing rule and regulation as a restatement and continuation of Office of Finance's Ruling No. 11 adopted by me on August 17, 1953 and revised on August 9, 1956 and April 22, 1959, pertaining to the collection of Los Angeles Business Taxes and the enforcement of Article 1, Chapter 2 of the Los Angeles Municipal Code.

s/Walter C. Peterson

WALTER C. PETERSON, CITY CLERK

APPROVED:

ROGER ARNEBERGH, CITY ATTORNEY

By s/James A. Doherty

Assistant City Attorney

Date September 14, 1960

**CITY OF LOS ANGELES  
OFFICE OF FINANCE  
TAX AND PERMIT DIVISION  
CITY CLERK'S RULING NO. 13 (NEW SERIES):  
PERSONS SELLING GOODS, WARES AND MERCHANDISE IN LOS  
ANGELES, WITH NO FIXED PLACE OF BUSINESS IN LOS ANGELES**

Reference: Section 21.00(i) Los Angeles Municipal Code "Engaged in Business" Sections 21.166, 21.167 Los Angeles Municipal Code. In administering and collecting the business tax imposed under the provisions of Sections 21.166 and 21.167 Los Angeles Municipal Code, the Office of Finance shall apply the following rule with respect to those persons who do not have a fixed place of business within the City of Los Angeles. A Person who does not own, lease, occupy or otherwise maintain within the City of Los Angeles a place or premises upon which or from which he engages in business, shall nevertheless be deemed to be engaged in business within the City of Los Angeles when, through the physical presence of himself, his employees, his agents, or his equipment, he carries on activities within the City of Los Angeles which are designed to solicit, promote, stimulate, or otherwise encourage the sale of goods, ware, or merchandise. The measure of tax for such person shall be:

(a) **35%** of those gross receipts from all sales to customers located within the City of Los Angeles, where delivery or shipment is made to points within the City by vehicles operated by the taxpayer.

(b) **30%** of those gross receipts from all sales to customers located within the City of Los Angeles where delivery or shipment is made to points within the City by means other than vehicles operated by the taxpayer regardless of the f.o.b. point or other conditions of sale.

(c) **30%** of those gross receipts from all sales to customers located within the City of Los Angeles where delivery or shipment is made to points outside the City. Any person who believes that the percentage specified in the appropriate foregoing paragraph (a), (b) or (c) is greater than the facts justify, may apply to the Office of Finance for a modification of the percentage. Such application shall be made in writing to the Office of Finance and shall be accompanied by a statement of facts supporting the basis for such modification. The Office of Finance shall make his determination on the basis of evidence presented to him, and such other evidence as he may have, may request from the taxpayer, or may discover from other sources.

The Office of Finance shall increase, reduce, or allow to stand the percentage originally determined, depending on the facts. Should the Office of Finance be of the opinion that the percentage specified in the appropriate foregoing paragraph (a), (b) or (c) is less than the facts justify in any particular case, he shall make such investigation as is necessary to ascertain the facts and revise the percentage, if required. Any variation from the percentages provided for under this ruling shall be approved in writing by either the Chief or Assistant Chief of the Tax and Permit Division.

I, Rex E. Layton, CITY CLERK of the City of Los Angeles, pursuant to authority granted me in Section 21.15(h) of the Los Angeles Municipal Code, do hereby adopt and

promulgate the foregoing rule and regulation pertaining to the collection of the Los Angeles Business Tax and the enforcement of the provisions of Article 1, Chapter 2 of the Los Angeles Municipal Code. I further declare that this ruling supersedes and replaces Office of Finance's Ruling No. 13 (New Series) as restated and adopted on April 5, 1960.

s/Rex E. Layton

REX E. LAYTON, CITY CLERK

APPROVED:

ROGER ARNEBERGH, CITY ATTORNEY

By s/Thomas C. Bonaventura

Assistant City Attorney

Date June 30, 1972

**CITY OF LOS ANGELES**

**OFFICE OF FINANCE**

**TAX AND PERMIT DIVISION**

**CITY CLERK'S RULING NO. 14 (NEW SERIES):**

**PERSONS SELLING GOODS, WARES AND MERCHANDISE, WHO HAVE A  
FIXED PLACE OF BUSINESS IN LOS ANGELES**

Reference: Sections 21.166, 21.167 Los Angeles Municipal Code.

A person engaged in a business within the City of Los Angeles, subject to tax under the provision of Section 21.166 and/or 21.167, Los Angeles Municipal Code, who owns, leases, occupies or otherwise maintains within the City a place or premises upon which or from which the person engages in such business, shall be subject to tax as provided herein.

**SELLING ACTIVITIES CARRIED ON WITHIN AND WITHOUT THE CITY OF  
LOS ANGELES**

A person who owns, leases, occupies or otherwise maintains within the City a place or premises upon which, or from which the person engages in the business of selling goods, wares, and merchandise in the City and whose gross receipts from such sales are attributable to business activities carried on within the City and activities carried on outside the City, may apportion such gross receipts and include in the measure of tax those gross receipts directly attributable to activities carried on within the City.

In making a calculation of gross receipts to be reported as the measure of tax, the person may deduct from 100% of gross receipts the percentage of gross receipts deemed to be directly attributable to selling activities carried on by such person outside the City of Los Angeles. For the purposes of this calculation, the person may deduct, to the extent appropriate, but in no case in an amount greater than, the following percentages of those sales, or particular categories of sales, on which the corresponding elements of the selling process are performed at a place or location outside the City:

1. Up to **30%** for the location where the sale is negotiated or solicited by the taxpayer, through the physical presence of the taxpayer or the taxpayer's employees.
2. Up to **20%** for the sales office which serves as the base of operations for sales activities, or if there is no sales office which serves as a base of operations, the office from which the sales activities are directed or controlled.
3. Up to **10%** for the location where orders or contracts are accepted or approved. Such acceptance or approval shall be deemed to take place at the location of the office specified in item 2 above, unless there is clear and conclusive evidence that a binding acceptance or approval occurs elsewhere.
4. Up to **20%** for any facility, operated by the taxpayer, where the goods, wares or merchandise are stored immediately prior to shipment or delivery.
5. Up to **5%** for the location which gives the order for, or arranges for, the shipment or delivery of articles sold.
6. Up to **5%** for the place where billing procedures are performed.
7. Up to **5%** for the place where the collecting of receipts is performed.

8. Up to 5% for the place to which merchandise is delivered, by vehicles operated by the taxpayer.

**PROVISION FOR MODIFICATION OF APPORTIONMENT FORMULA**

Any person who believes that the percentage determined to be allowable as a deduction from gross receipts under the foregoing provisions of this ruling is less than the facts justify, may apply to the Office of Finance for a modification of the percentage. Such application shall be made in writing to the Office of Finance and shall be accompanied by a statement of facts supporting the basis for such modification. The Office of Finance shall make a determination on the basis of evidence presented, and such other evidence as the Office of Finance may have, may request from the taxpayer, or may discover from other sources. The Office of Finance shall increase, reduce, or allow to stand the percentage originally determined, depending on the facts. Should the Office of Finance be of the opinion that the percentage calculated to be allowable as a deduction from gross receipts under the foregoing provisions of this ruling is greater than the facts justify in any particular case, the Office of Finance shall make such investigation as is necessary to ascertain the facts and revise the percentage, if required. Any variation from the percentages provided for under this ruling shall be approved in writing by a Chief of the Tax and Permit Division.

I, Elias Martinez, CITY CLERK of the City of Los Angeles, pursuant to authority granted me in Section 21.15(h) of the Los Angeles Municipal Code, do hereby adopt and promulgate the foregoing rule and regulation pertaining to the collection of the Los Angeles Business Tax and the enforcement of the provisions of Article 1, Chapter 2 of the Los Angeles Municipal Code. I further declare that this ruling supersedes and replaces Office of Finance's Ruling No. 14 (New Series) as restated and adopted on June 30, 1972.

s/Elias Martinez

ELIAS MARTINEZ, CITY CLERK

APPROVED:

JAMES K. HAHN, CITY ATTORNEY

By s/Ronald Tuller

Assistant City Attorney

April 16, 1996

**CITY OF LOS ANGELES  
OFFICE OF FINANCE  
TAX AND PERMIT DIVISION  
CITY CLERK 'S RULING NO. 15 (NEW SERIES):  
GROSS RECEIPTS ATTRIBUTABLE TO BUSINESS ENGAGED IN WITHIN CITY**

Reference: Section 21.190 Los Angeles Municipal Code.

**GENERAL STATEMENT**

Whenever a person is engaged in a business subject to tax under Section 21.190 L.A.M.C., only those receipts derived from or attributable to business engaged in within the City of Los Angeles shall be included in the measure of the tax. If the person engaged in such business owns, leases, occupies or otherwise maintains within the City a place or premises from which he performs work outside the City, a portion of the gross receipts from work performed outside the City shall be deemed to be gross receipts derived from or attributable to engaging in business in the City.

**RULING OF THE CITY CLERK**

It is the ruling of the CITY CLERK that any person engaging in a business subject to tax under Section 21.190 L.A.M.C. shall include in the measure of tax the total gross receipts from work performed within the City; and in addition thereto, if such person owns, leases, occupies or otherwise maintains within the City a place or premises from which he engages in business activities outside the City, he shall include a portion of the gross receipts from work performed outside the City in the measure of tax. In the absence of substantial information to the contrary, 20% of gross receipts from work performed outside the City shall be deemed to be that portion subject to tax as attributable to business engaged in within the City. In cases where it appears that a greater or lesser percentage of gross receipts from work performed outside the City is attributable to business engaged in within the City, the Office of Finance may:

1. Require the use of a greater percentage of such gross receipts, stating in writing to the taxpayer his reasons therefor; or
2. Approve the use of a lesser percentage of such gross receipts, based upon proof presented to him in writing by the taxpayer that the 20% factor is inequitable. Any such variation from the 20% factor established by this ruling shall be approved in writing by either the Chief or Assistant Chief of the Tax and Permit Division.

Where there are no measurable gross receipts directly attributable to operations carried on from a place of business within the City, it is the ruling of the Office of Finance that such operations shall be deemed to produce gross receipts in an amount at least equal to the cost of maintaining such operations. Such cost of operations shall include, but not be limited to, rent and/or depreciation, salaries and wages, fixed charges and other expenses.

The Office of Finance hereby states that this ruling is promulgated to carry into effect the provisions of Section 21.190(d) L.A.M.C., requiring the adoption of allocation formulae for the apportionment of gross receipts derived from or attributable to activities engaged in within and without the City of Los Angeles.

In settling any matters within the scope of this ruling for periods prior to the date of its promulgation, the Office of Finance shall be guided by the principles set forth in this ruling.

The Office of Finance declares that this ruling shall not apply to any person engaged in a business for which a specific method of allocation has been designated in a separate ruling or regulation adopted by the Office of Finance and approved by the City Attorney.

I, Rex E. Layton, CITY CLERK of the City of Los Angeles, pursuant to the authority granted me in Section 21.15(h) of the Los Angeles Municipal Code, do hereby adopt and promulgate the foregoing rule and regulation, pertaining to the collection of Los Angeles Business Taxes and the enforcement of Article 1, Chapter 2 of the Los Angeles Municipal Code.

s/Rex E. Layton

REX E. LAYTON, CITY CLERK

APPROVED:

ROGER ARNEBERGH, CITY ATTORNEY

By/Thomas C. Bonaventura

Assistant City Attorney

Date November 22, 1971

**CITY OF LOS ANGELES  
OFFICE OF FINANCE  
TAX AND PERMIT DIVISION  
CITY CLERK 'S RULING NO. 16 (NEW SERIES):  
SAVINGS AND LOAN ASSOCIATIONS**

Reference: Sections 21.98, 21.99, 21.108, 21.166, 21.167, 21.190 and 21.193 Los Angeles Municipal Code.

**GENERAL STATEMENT**

Savings and Loan Associations (whether chartered by the State or Federal Government) are not banks as defined in Article 13, Section 16 of the Constitution of the State of California and are, therefore, subject to Los Angeles Business Taxes. This liability is due primarily under Section 21.190 Los Angeles Municipal Code.

The following items of income are examples of receipts which shall be included in the measure of tax paid by Savings and Loan Associations under Section 21.190 Los Angeles Municipal Code:

1. Interest on real estate loans;
2. Loan fees of various kinds, such as, fee for escrow, appraisal drawing papers, and other similar charges;
3. Bonuses received for prepayment of loans;
4. Penalty charges on delinquent loans;
5. Tax service fees;
6. Interest on personal loans to depositors (See Section 21.108(c));
7. Receipts over and above the recovery of principal from the sale of mortgages or other evidence of money due from loans.

The following items of income are examples of receipts ordinarily not includable in gross receipts:

1. Interest and dividends earned from the placing of surplus funds in bonds, securities, or Federal Home Loan Banks;
2. Payments received on the principal amount of outstanding loans;
3. Sale of capital assets, such as office furniture or other property which has been used in the conduct of the business;
4. Payments made to other Savings and Loan Associations which represent their share of interest under loan participation agreements; and
5. Gains or losses on the sale of real estate acquired by foreclosure. Gross receipts from the sale of goods, wares or merchandise must be included in the measure of tax paid under Section 21.166 (Wholesale) and/or Section 21.167 (Retail), whichever section is applicable.

Gross receipts from the rental of commercial buildings or structures or space in commercial buildings or structures, or gross receipts from the rental of dwelling units in the City of Los Angeles are subject to tax under Sections 21.98 and 21.99, Los Angeles Municipal Code, respectively.

Savings and Loan Associations who develop and sell real property are subject to business tax under Section 21.193, Los Angeles Municipal Code.

Savings and Loan Associations who make personal loans other than to depositors are subject to business tax under Section 21.108 Los Angeles Municipal Code.

### **BRANCH OFFICE OPERATIONS**

The activities of the branch offices usually take one of three basic forms:

1. Act only as a service branch for "savings customers", and do not carry on any loan activity or perform other services which produce income.
2. Act as a service branch for "savings customers", and accept and process loan applications which are forwarded to the main office where the loans may be accepted and the monies disbursed. No other services are performed.
3. Act as a service branch for "savings customers", solicit and accept loans on single family homes, perform escrow services, and have other related activities. Large loans such as those made for tracts and commercial buildings are forwarded to the home office for processing.

### **RULING OF THE CITY CLERK**

In order to have a uniform method of allocating gross receipts to Savings and Loan Association branch offices, the following formulas shall be used:

1. Home office and branch offices as outlined in (1), (2) and (3) above:  
Apportion gross receipts from interest and other loan activities by applying the percentage derived from dividing the cost of operating the entire association, including the home office.
2. Any of the branch offices and/or the home offices which operate an escrow department or engage in other activities of a related nature, shall charge the gross receipts therefrom directly to the branch office or home office and the expenses of these departments shall be excluded from the allocation percentage calculation. In cases where there is no segregation of the income and expenses of the escrow or other departments, the expense of these departments shall be included in the formula and the income included in gross receipts.

When computing percentages for the allocation of gross receipts to branch offices:

1. The following are some examples of expenses to be included in the allocation formula base:

#### **a. Salaries and Wages**

These charges should be allocated to the office where the personnel are assigned and should include all allied items and fringe benefits. Expenses and salaries of executive personnel and accounting or legal department personnel cannot be allocated to the individual branch offices. These are charged directly to the applicable office incurring the expense.

#### **b. Rent or Depreciation on Buildings**

When buildings are leased by a Savings and Loan Association for its own use, rental expense should be included. When buildings are owned by the Savings and Loan Association, depreciation expense should be included only for the portion of the building which is used by the Savings and Loan Association.

#### **c. Building Repairs and Service**

These expenses should be included and allocated to the individual branch offices. However, if a building is partly leased to others, then the expenses should be allocated as in (b) above.

**d. Supplies**

These should be allocated to the individual branch office where used.

**e. Insurance**

**e-1. Workers' Compensation**

Should be allocated to the individual branch offices. If not segregated, allocate according to the number of employees at each location.

**e-2. Fire, Theft, Liability, Etc.**

Should be allocated to the individual branch offices. The company should maintain a segregation in instances where buildings are partly rented to others. A portion may apply to portion which is rented to others as in (b) above.

**e-3. Security Bonds**

Should be allocated to the individual branch offices. These bonds are usually in connection with specific employees, or a specific group of employees.

**f. Property Taxes**

Should be allocated to the individual branch offices as discussed under (b) above for depreciation.

2. The following are examples of expense items which **should not** be included in the allocation formula base:

- a. Interest on deposits paid to depositors.
- b. Federal Insurance paid to insure the depositors against loss.
- c. Advertising to secure depositors.

I, Rex E. Layton, City Clerk of the City of Los Angeles, pursuant to authority granted me in Section 21.15(h) of the Los Angeles Municipal Code, do hereby adopt and promulgate the foregoing rule and regulation pertaining to the collection of the Los Angeles Business Tax and the enforcement of the provisions of Article 1, Chapter 2 of the Los Angeles Municipal Code.

s/Rex E. Layton

REX E. LAYTON, CITY CLERK

APPROVED:

ROGER ARNEBERGH, CITY ATTORNEY

By s/Richard A. Dawson

Assistant City Attorney

Date December 10, 1971

**CITY OF LOS ANGELES  
OFFICE OF FINANCE  
TAX AND PERMIT DIVISION  
CITY CLERK 'S RULING NO. 17 (NEW SERIES):  
PERSONS LEASING OR RENTING TANGIBLE PERSONAL PROPERTY**

Reference: Section 21.192 Los Angeles Municipal Code.

**PART I - PLACE OF BUSINESS IN LOS ANGELES**

A person who owns, leases, occupies or otherwise maintains within the City of Los Angeles a place or premises from which he engages in the business of leasing or renting tangible personal property shall be subject to tax under the provisions of Section 21.192 Los Angeles Municipal Code, measured by 100% of gross receipts attributable to such business activities, except as otherwise provided for in this ruling.

**LEASE OR RENTAL ACTIVITIES CARRIED ON WITHIN AND WITHOUT THE CITY OF LOS ANGELES**

A person who owns, leases, occupies or otherwise maintains within the City of Los Angeles a place or premises upon which or from which he engages in the business of leasing or renting any tangible personal property and whose gross receipts from such leases or rentals are attributable to business activities carried on within the City and activities carried on outside the City, may apportion such gross receipts and include in the measure of tax those gross receipts directly attributable to activities carried on within the City. In making a calculation of gross receipts to be reported as the measure of tax, the person may deduct from 100% of gross receipts the percentage of gross receipts deemed to be attributable to lease or rental activities carried on by such person outside the City of Los Angeles. For the purpose of this calculation, the person may deduct, to the extent appropriate, but in no case in an amount greater than, the following percentages of those leases or rentals, or particular categories of leases or rentals, on which the corresponding elements of the lease or rental process are performed or exist at a place or location outside the City:

1. Up to **20%** for the location where the lease or rental is negotiated or solicited by the taxpayer, through the physical presence of himself, his employees, or his agents.
2. Up to **20%** to the office which serves as the base of operations for the lease or rental activities, or if there is no such office anywhere, to the office from which the lease or rental activities are directed or controlled.
3. Up to **10%** for the location where lease or rental agreements or contracts are accepted or approved. Such acceptance or approval shall be deemed to take place at the location of the office specified in item 2 above, unless there is clear evidence that a binding acceptance or approval occurs elsewhere.
4. Up to **30%** where the property is used outside the City by the lessee. Where the property is used both within and outside the City, the deductible percentage of gross receipts under this subparagraph 4 may be determined as follows:  
30% where the use outside the City is 75% or more of total usage.  
20% where the use outside the City is 50% or more, but less than 75%, of total usage.

10% where the use outside the City is 25% or more, but less than 50%, of total usage.

No deduction shall be allowed where use outside the City is less than 25% of total usage. In making a determination of the percentage of use outside the City, total usage shall be apportioned on a time usage basis. If such time usage basis does not fairly reflect the proportion of usage outside the City, the taxpayer may make application to the Office of Finance for approval to use any other appropriate method.

For the purpose of determining that property is used outside the City, the Office of Finance may consider any of the following:

- (a) Installation of the property at a location outside the City.
- (b) Provision in the lease or rental agreement that use of the property is to take place outside the City.
- (c) A certification by the lessee to the lessor that use of the property will occur outside the City.
- (d) Any other adequate evidence which may be furnished to the Office of Finance in order that he may make such a determination.

5. Up to 20% for the location where the property leased or rented is regularly serviced by the taxpayer or his employees during the duration of the lease or rental agreement. This deduction allowance shall not apply where servicing activities are performed by persons other than the taxpayer himself or his employees.

## **PART II - NO FIXED PLACE OF BUSINESS IN LOS ANGELES**

A person who does not own, lease, occupy or otherwise maintain within the City of Los Angeles a place or premises upon which or from which he engages in business, shall nevertheless be deemed to be engaged in business within the City of Los Angeles when, through the physical presence of himself, his employees, his agents, or his equipment, he carries on activities within the City of Los Angeles which are designed to solicit, promote, stimulate or otherwise encourage the lease or rental of tangible personal property. The measure of tax shall be the TOTAL amount calculated by applying each of the following percentages to gross receipts from those leases or rentals, or particular categories of leases or rentals, on which the corresponding elements of the lease or rental process occur within the City of Los Angeles:

- (a) 20% of gross receipts from all leases or rentals to lessees within the City, where the lease or rental is negotiated or solicited within the City by the taxpayer, his employees, or his agents.
- (b) Up to 30% of gross receipts from all leases or rentals to lessees within the City, where the property is used within the City by the lessee. Where the property is used both within and outside the City, the taxable percentage under this subparagraph (b) shall be determined as follows:

30% where the use within the City is 75% or more of total usage.

20% where the use within the City is 50% or more, but less than 75%, of total usage.

10% where the use within the City is 25% or more, but less than 50%, of total usage.

No taxable percentage shall apply where the use within the City is less than 25% of total usage.

In making a determination of the percentage of use within the City, total usage shall be apportioned on a time usage basis. If such time usage basis does not fairly reflect the proportion of usage within the City, the taxpayer may make application to the Office of Finance for approval to use any other appropriate method. For the purpose of determining that property is used within the City, the Office of Finance may consider any of the following:

- (1) Installation of the property at a location within the City.
  - (2) Provision in the lease or rental agreement that use of the property is to take place within the City.
  - (3) Any other information or facts inherent to particular leases or rentals which make it apparent that the property is used within the City.
- (c) 20% of gross receipts from all leases or rentals to lessees within the City of Los Angeles, where the property is regularly serviced by the lessor or his employees during the duration of the lease or rental agreement. This subparagraph shall not apply where servicing activities are performed by persons other than the lessor himself or his employees.

### **PART III - PROVISION FOR MODIFICATION OF APPORTIONMENT FORMULA**

Any person who believes that the percentage of gross receipts determined to be subject to tax under Part I or Part II of this ruling is greater than the facts justify, may apply to the Office of Finance for a modification of the percentage. Such application shall be made in writing to the Office of Finance and shall be accompanied by a statement of facts supporting the basis for such modification. The Office of Finance shall make his determination on the basis of evidence presented to him, and such other evidence as he may have, may request from the taxpayer, or may discover from other sources. The Office of Finance shall increase, reduce, or allow to stand the percentage originally determined, depending on the facts. Should the Office of Finance be of the opinion that the percentage of gross receipts determined to be subject to tax under Part I or Part II of this ruling is less than the facts justify in any particular case, he shall make such investigation as is necessary to ascertain the facts and revise the percentage, if required. Any variation from the percentages provided for under this ruling shall be approved in writing by either the Chief or Assistant Chief of the Tax and Permit Division.

I, Rex E. Layton, City Clerk of the City of Los Angeles, pursuant to authority granted me in Section 21.15(h) of the Los Angeles Municipal Code, do hereby adopt and promulgate the foregoing rule and regulation pertaining to the collection of Los Angeles Business Taxes and enforcement of the provisions of Article 1, Chapter 2 of the Los Angeles Municipal Code.

s/Rex E. Layton

REX E. LAYTON, CITY CLERK

APPROVED:

BURT PINES, CITY ATTORNEY

By/Thomas C. Bonaventura

Assistant City Attorney

Date July 3, 1973

**CITY OF LOS ANGELES  
OFFICE OF FINANCE  
TAX AND PERMIT DIVISION  
CITY CLERK 'S RULING NO. 18 (NEW SERIES):  
SENIOR CITIZEN EXEMPTION (UTILITY USERS TAX): CLAIMS FOR  
REFUND**

Reference: Ordinance No. 146,936; Section 21.1.12 Los Angeles Municipal Code.

**GENERAL STATEMENT**

Ordinance No. 146,936, operative July 1, 1975, provides an exemption from Los Angeles Telephone, Electricity and Gas Users Tax for any individual 62 years of age or older using such utility services at premises occupied by the individual, provided that the combined adjusted gross income (as used for purposes of the California Personal Income Tax Law) of all members of the household in which the individual resides was less than \$10,950.00\* for the prior calendar year. The ordinance makes provisions for the filing of applications for exemption by eligible individuals, and for the filing of claims for refund of taxes paid in excess of \$3.00. Claims for refund may be filed by an exempt individual for taxes paid either directly to a utility company, or paid indirectly through another service user, for utility services furnished at premises occupied by the exempt individual. The ordinance provision for refund of taxes paid indirectly through another service user would include those instances in which an exempt individual resides in an apartment building, mobile home tract, or other type of dwelling, where utility services are furnished through a master meter or other device. In such instances, the amounts of rent or other charges paid to the owner or operator are deemed to include a proportionate share of the utility charges and tax which has been billed to the owner or operator.

**RULING OF THE CITY CLERK**

In order to provide for a uniform administration of the ordinance provisions, the Office of Finance declares the following:

1. The tax exemption and refund provisions shall apply only to utility service periods COMMENCING on or after July 1, 1975. "Service Periods" shall mean the periods shown on billings issued by utility companies for utility charges. Where an exempt individual indirectly makes payment of utility charges and tax through another service user, the "service periods" shall be deemed to be on a calendar month basis (covering the months in which the indirect payments were made) unless the Office of Finance determines that different service periods exists.

2. Claims for refund of ACTUAL amounts of taxes paid directly to a utility company or indirectly through another service user must be supported by copies of billings or statements showing the amounts of tax paid. When the actual amount of tax paid cannot be supported by copies of billings or statements, the Office of Finance may approve a refund of tax for those utility services on which the tax has been paid directly or indirectly, according to the following schedule:

**Utility Service Each Full Month Each Year**

Telephone \$0.50 \$6.00

Electricity 0.50 6.00

Gas 0.50 6.00

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Maximum Refundable \$1.50 \$18.00

No refund of tax shall be allowed for any service period on which a utility company has eliminated the tax from its billing to the exempt individual, or has allowed a credit for the tax on a subsequent billing.

3. Ordinance No. 146,936 provides that claims for refund must be filed within 12 months of the date of payment. The "date of payment" shall mean the date on which the exempt individual made payment of tax directly to a utility company; or, where the tax was paid indirectly through another service user, the "date of payment" shall mean the date on which payment was made to the other service user. In the event the actual date of payment cannot be determined, the Office of Finance will presume that the payment would have been made not later than 30 days after the close of the service period.

I, Rex E. Layton, CITY CLERK of the City of Los Angeles, pursuant to authority granted me in Sections 21.15(h) and 21.1.9(b) of the Los Angeles Municipal Code, do hereby adopt and promulgate the foregoing rule and regulation pertaining to the refund of Los Angeles Telephone, Electricity and Gas Users Tax and enforcement of the provisions of Article 1.1, Chapter 2 of the Los Angeles Municipal Code.

s/Rex E. Layton

REX E. LAYTON, CITY CLERK

APPROVED:

BURT PINES, CITY ATTORNEY

By s/Thomas C. Bonaventura

Assistant City Attorney

Date October 28, 1975

\* NOTE: Adjusted annually as provided for in Article 1.1, Section 21.1.12 by Ord. No. 157,563, Eff. 7/1/83.

**CITY OF LOS ANGELES  
OFFICE OF FINANCE  
TAX AND PERMIT DIVISION  
CITY CLERK RULING NO. 19 (NEW SERIES):  
RETAILERS EARNING FINANCE AND OTHER CHARGES ON DEFERRED  
PAYMENT ACCOUNTS**

Reference: Sections 21.167, 21.188, 21.190, and 21.192 Los Angeles  
Municipal Code.

**GENERAL STATEMENT**

Los Angeles Municipal Code Section 21.108, in subsection (a), provides for the taxation of persons engaged in the business of lending money, advancing credit or lending credit. However, subsection (c) provides that a person who, in the conduct of another business in the City, engages in the business described in subsection (a) solely with customers or suppliers of that other business is exempt from the tax imposed by subsection (a), and shall include the gross receipts from subsection (a) activity with the gross receipts by which the tax on said other business is measured.

Persons engaged in the business of selling goods and/or furnishing services at retail on a deferred payment basis may earn finance and other charges from the purchaser in return for deferring payment for such goods and/or services. In the conduct of such a business, it is typical for the retailing activities to be performed at one or more stores or other retail outlets and the credit, billing, collection and accounting activities relating to deferred payment accounts to be performed at a single accounting center or other similar facility.

**RULING OF THE CITY CLERK**

In those situations where a person maintains the accounting center within the City of Los Angeles and one or more retail stores outside of the City, or the accounting center outside of the City and one or more retail stores within the City, it is necessary to apportion the finance and other charges earned as a result of deferred payments so that only the portion attributable to activities performed by such person within the City shall be included in taxable gross receipts. Retailing activities, such as solicitation, negotiation and consummation of the retail transaction, performed by a person and his employees shall be deemed to give rise to 50% of the gross receipts from finance and other charges earned as a result of deferred payments in connection with such retail transactions. Retailing activities performed by a concessionaire or other independent contractor shall not be considered in determining the location to which finance and other charges are attributable. Except as provided herein, all gross receipts from finance and other charges relating to deferred payment accounts shall be deemed to be attributable to activities performed at the accounting center or other similar facility.

**PROVISION FOR MODIFICATION OF APPORTIONMENT FORMULA**

Any person who believes that the percentage of gross receipts determined to be subject to tax under the foregoing provisions of this ruling is greater than the facts justify, may apply to the Office of Finance for a modification of the percentage. Such application shall be made in writing to the Office of Finance and shall be accompanied by a

statement of facts supporting the basis for such modification. The Office of Finance shall make his determination on the basis of evidence presented to him, and such other evidence as he may have, may request from the taxpayer, or may discover from other sources. The Office of Finance shall increase, reduce, or allow to stand the percentage originally determined, depending on the facts.

Should the Office of Finance be of the opinion that the percentage of gross receipts determined to be subject to tax under the foregoing provisions of this ruling is less than the facts justify in any particular case, he shall make such investigation as is necessary to ascertain the facts and revise the percentage, if required.

Any variation from the percentages provided for under this ruling shall be approved in writing by either the Chief or Assistant Chief of the Tax and Permit Division.

I, Rex E. Layton, City Clerk of the City of Los Angeles, pursuant to authority granted me in Section 21.15(h) of the Los Angeles Municipal Code, do hereby adopt and promulgate the foregoing rule and regulation pertaining to the collection of the Los Angeles Business Tax and the enforcement of the provisions of Article 1, Chapter 2 of the Los Angeles Municipal Code.

s/Rex E. Layton

REX E. LAYTON, CITY CLERK

APPROVED:

BURT PINES, CITY ATTORNEY

By s/Ronald A. Tuller

Deputy City Attorney

Date December 28, 1979

## REAL ESTATE BROKERS

Pursuant to Subdivision 9, added to Section 21.190(c) L.A.M.C. by Ordinance No. 152, 091 - Real Estate Brokers should include their entire gross commissions, including commissions on sales made by those persons acting as real estate salesmen, when computing tax under Section 21.190 L.A.M.C. This procedure is consistent with current practice.

The Tax and Permit Manual describes the application of Section 21.190 L.A.M.C. to Real Estate Brokers located outside the City of Los Angeles who have sales activity within the City.

In those situations where Real Estate Brokers located within the City of Los Angeles sell property located outside the City; 50 percent of commissions earned from such sales will be accepted as prima facie evidence of proper allocation in the absence of a formula approved by the City Clerk.

## ARCHITECTS

An analysis of the various jobs of a Corporation gives the following categories based on where the work was performed (In or Out of City):

	<u>Percentage</u>
1. Job location in or out of the City of Los Angeles - all work done in Los Angeles	100%
2. Job location outside the City of Los Angeles - all work performed in the City of Los Angeles except supervision, which was performed at the job sites	85%
3. Job location outside the City - Schematics and some other work (part of working drawings) in Los Angeles, rest of work outside of Los Angeles	60%
4. Job location outside the City - Schematics and preliminary drawings done in Los Angeles, rest of work done outside the City	40%
5. Job location outside the City - Sketching and part of working drawings done in the City, rest of the work completed out of City	60%
6. Job location outside the City - all actual work done outside of the City, top supervision, checking, bookkeeping, etc., only is done in the City of Los Angeles	20%
7. Interior decorating job out of the City - considerable amount is done at job site	60%

	<u>Percentage</u>
8. Job location outside the City - Schematics, preliminaries, and most of working drawings done in Los Angeles - rest of work, including supervision, outside the City	60%
9. Job location outside the City - combination of architectural fees and interior decoration, approximately 60% of work done in Los Angeles	60%
10. Job location outside the City - Schematics done in Los Angeles, all other work outside Los Angeles	20%
11. Job location outside the City - interior decoration schematics only done in Los Angeles	20%
12. Job location outside the City - Schematics and preliminary drawings done in Los Angeles, all other work outside Los Angeles, no supervision performed	60%

In analyzing the above categories, it appears that the percentage of work performed in the City varies from ten percent or less up to 100 percent. The above percentages do not include expenses such as top supervision, accounting, and other general expenses, which would be performed by the Los Angeles office.

I, therefore, submit for your approval the following recommendations:

1. Categories 6, 10, and 11 be assessed at 20%
2. Category 4 be assessed at 40%
3. Categories 3, 5, 7, 8, 9, and 12 be assessed at 60%
4. Category 2 be assessed at 85%
5. Category 1 be assessed at 100%

Subject: Stockbrokers - Trading Profits/Losses

In my memo of July 7, 1981, the position was taken that trading gains (profits) without deduction for trading losses would be the measure of taxable gross receipts.

However, subsequent meetings with representatives of Crowell, Weeden and Co., which culminated in December 1981, discloses that the method of accounting for the value of stocks held for trading purposes creates the same problems as outlined in Mr. T. R. Thornhill's memo dated July 13, 1972. ".....stock brokers who deal in stocks on their own behalf shall be subject to tax on their trading profits without deduction for trading losses".

It is still the same situation as described in Mr. H. B. Engen's memo of July 26, 1972 ".....it is virtually impossible to be consistent in arriving at taxable gross receipts by using all trading profits without any deduction for trading losses. Where records are kept on an inventory basis (such as the reference taxpayer does) different receipts amounts would result from computations based on annual, quarterly, monthly, weekly or daily figures. Also where securities are "marked to market (value)" daily, fluctuations in value would tend to exaggerate the actual profits on transactions.

Mr. Thornhill's recommendation is that we accept as taxable gross receipts the "total profits on transactions less total losses on transactions without any other deductions. This would appear to be the trading profits resulting from such dealings, as provided for under Section 21.190(c) 6 L.A.M.C."

In view of the difficulties that would be encountered re: uniform enforcement, we will follow Mr. Thornhill's recommendation.