

J. MICHAEL CAREY  
CITY CLERK

PAT HEALY  
EXECUTIVE OFFICER

# CITY OF LOS ANGELES

CALIFORNIA



RICHARD J. RIORDAN  
MAYOR

OFFICE OF THE  
CITY CLERK

TAX AND PERMIT DIVISION  
WATER & POWER BUILDING  
111 NO HOPE ST., LOBBY-ROOM L68  
LOS ANGELES, CA 90012-5701

SYLVIA NESBIT  
CHIEF TAX & PERMIT DIVISION  
(213) 626-9271

## IMPORTANT NOTICE TO

### OUT-OF-CITY TAXPAYERS DOING BUSINESS IN THE CITY OF LOS ANGELES

The Court of Appeal ruled in the case of City of San Jose vs. Ruthroff & Englekirk Consulting Structural Engineers, Inc. (1982) 131 Cal. App. 3d 462, that a minimum City business tax must be prorated to reflect the amount of business actually conducted in the taxing city. This case applies only to persons who conduct business within the City of Los Angeles and do not maintain a place of business within the City of Los Angeles.

Please be advised that an out-of-city taxpayer is subject to Los Angeles City business tax for all business activities conducted within the City. If your account is determined to be underpaid at a later date, you may be subject to additional principal tax, interest and penalty. Any claims for refund of overpayment must be submitted as prescribed in Section 21.07 of the Los Angeles Municipal Code (L.A.M.C) which states, in part, that claims must be submitted within one (1) year of the overpayment.

#### Method to Prorate Business/Payroll Expense Tax

Calculate the business tax based upon the taxable gross receipts attributed to business activities within the City of Los Angeles. In order to determine your taxable gross receipts, please review the specialized instructions which are located on the inside back cover of the current Annual Renewal Booklet. Your prorated tax liability should be calculated by multiplying your taxable gross receipts by the rate per \$1,000 or fractional part thereof for your business tax classification. For example, a person who performs services subject to taxation under Section 21.190 (*Professions and Occupations*) L.A.M.C. whose current tax rate is \$106.43 per year or fractional part thereof for the first \$18,000 or less of gross receipts plus \$5.91 per year for each additional \$1,000 of gross receipts or a fractional part thereof, should calculate the City of Los Angeles business tax liability at \$5.91 per one thousand dollars of taxable gross receipts or fractional part thereof. If this person's taxable gross receipts are \$9,100, the business tax liability should be calculated by multiplying 10 by \$5.91 which equals \$59.10. The principal tax due of \$59.10 should be entered on the appropriate line of the current Annual Tax Reporting Form. The exceptions to such calculations are as follows:

Section 21.188 (Contractor) L.A.M.C. - calculate the business tax liability at the rate of \$2.96 per one thousand dollars of gross receipts or fractional part thereof, if the gross receipts are \$60,000 or less. *For out-of-city taxpayers, this section appears as L388 on the Annual Tax Reporting Form.*

Section 21.109 (Motion Picture, Television and Radio Producers) L.A.M.C. - calculate the business tax liability at the rate of \$2.96 per one thousand dollars of gross receipts or fractional part thereof, if the taxable gross cost or receipts are less than \$50,000.

Be advised that the proration cannot be used by persons who maintain property within the City, such as those who are subject to the City's business tax under Sections 21.65 (Vending Machines), 21.65.1 (Coin Operated Scales and Service Machines), 21.98 (Office, Commercial Buildings, etc., Rentals), 21.99 (Hotel, Apartments, etc.), 21.192 (Personal Property Rental), L.A.M.C., or to activities that are not based on gross receipts, such as 21.108 (Money Lenders), L.A.M.C. If you require additional information, please contact us at (213) 368-7000.