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Photos Available

GREUEL, GARCETTI UNVEIL BUSINESS TAX REFORM PACKAGE

Reduces taxes for 97,000 small and medium size businesses and invests in Los Angeles' growth industries

LOS ANGELES – Fighting to attract business to Los Angeles, create jobs and invest in the local economy, Councilmembers Wendy Greuel and Eric Garcetti unveiled the Greuel-Garcetti Business Tax Reform package and formally introduced the proposal to the Los Angeles City Council (attached).

“We are sending the message that Los Angeles is open for business,” said Greuel. “The Greuel-Garcetti proposal creates a tax system that is simpler, more equitable and competitive, and invests in our economy by targeting tax relief for small and medium size businesses.”

“This proposal will grow our economy,” said Garcetti, chair of the council committee that oversees economic development. “It will make Los Angeles more comfortable for businesses who are here to expand, and more inviting to businesses that consider opening here. It will focus on our growth industries while making the overall system fair and simple.”

The guiding principle behind the Greuel-Garcetti Business Tax Reform proposal is to create a tax system that works to attract business, create jobs and invest in Los Angeles' economy. The reform proposal will reduce the overall tax burden and simplify the system making it equitable and business friendly. The proposal will invest in the economy by further targeting tax relief for small and medium size businesses and industries that are growing and creating jobs.

The Greuel-Garcetti Business Tax Reform Package includes the following components:

- The overall tax burden on businesses should be reduced by 5% annually for five years with the option to provide an additional 25% tax cut for all businesses after that time
- Businesses should be assigned new tax rates based upon their ability to pay the tax
- Lower rates should be assigned to businesses that are highly mobile, able to create significant numbers of jobs, able to generate additional new businesses, have significant numbers of “pass-throughs,” or have less ability to pay the tax
- To provide targeted tax relief for small and medium size companies, businesses with gross receipts less than \$50,000 should be given the option of paying a flat tax of \$147
- Businesses should be given the option of paying on a cash basis instead of paying on an accrual basis. Businesses that continue to pay on an accrual basis should be provided with the option of deducting “bad debts”

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WENDY GREUEL

ERIC GARCETTI



- The City should explore ways to increase compliance, including hiring more outside collections agencies and requiring businesses to identify their subcontractors
- Businesses should be reclassified using the North American Industry Code System, which is used by businesses on their State and Federal tax returns

The Greuel-Garcetti proposal is based in large part on the work of the citizen-led Business Tax Advisory Committee (BTAC). BTAC's recommendations provided the framework for the Greuel-Garcetti proposal with the key difference being how rate relief is structured. BTAC's proposal reduces the overall tax burden on businesses by 15% over five years with an additional 15% of rate relief if the City's fiscal condition permits. The Greuel-Garcetti proposal guarantees a 25% reduction in the overall business tax burden over five years with an additional 25% if the City's fiscal conditions permits.

Los Angeles' businesses tax system is onerous and complex, taxing businesses without regard to fairness or the ability to attract growth industries that create good jobs. Established in 1940, the system requires businesses to file under 59 categories with each category having different calculation rules as well as apportionment formulas for activity inside and outside the City limits. As a result, many businesses' tax burdens do not match their ability to pay, some choose not to pay and some business leave Los Angeles all together.

Los Angeles has the 11th largest economy in the world and its businesses deserve a tax system that is competitive, works to create jobs and supports a growing economy.

Greuel and Garcetti were joined by Councilmembers Tom LaBonge, Jack Weiss and Dennis Zine; members of the Hollywood, Silver Lake, Toluca Lake and Century City Chambers of Commerce, San Fernando Valley United Chambers of Commerce, VICA, San Fernando Economic Alliance and Valley Vote.

The Business Tax Reform Package will be heard first in the Ad Hoc Committee on Business Tax Reform, followed by the Council's Budget Committee and then the full City Council.

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