

**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.