

**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