

AN ALERT FROM THE BDO STATE AND LOCAL TAX PRACTICE

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► SUBJECT

CITY OF LOS ANGELES ANNOUNCES LIMITED TAX AMNESTY

► SUMMARY

The City of Los Angeles has announced a tax amnesty program that began on September 1, 2013, and will continue through December 2, 2013. This amnesty includes the following City of Los Angeles taxes: Business, Utility Users Taxes, Commercial Tenant's Occupancy Taxes, Transient Occupancy Taxes, and Parking Occupancy Taxes.¹

Amnesty Qualification Requirements

To qualify for the Tax Amnesty all of the following requirements must be met between September 1, 2013, and December 2, 2013:

- All principal, interest, and fees must be paid.
- The taxpayer must sign and return the Tax Amnesty Billing notice. (Any penalties paid prior to September 1, 2013, will not be eligible for a refund.)
- A taxpayer who is currently registered with the Office of Finance and has received a bill for outstanding taxes may file for amnesty and pay that bill online.

Following this amnesty period, the Office of Finance will vigorously pursue a range of enforcement actions, as applicable, such as:

- Additional ten percent negligence penalty;
- Expanded audit program;
- Expanded on-site investigations;
- Data matching with governmental agencies to identify unregistered businesses;

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¹ Additional information of the program may be viewed at www.finance.lacity.org/amnesty.

- Whistleblower program;
- Referral to outside collection and credit reporting agencies;
- Possible legal action;
- Publication of a taxpayer's tax debt;
- Revocation of a taxpayer's police permit to operate parking lots; or
- Recording of a tax lien on business real and personal property.

Application of the City Business License Tax

The category of taxpayers subject to the business license tax is quite broad. For example, the City of Los Angeles holds that the business license tax is applicable to every person engaged in any trade, calling, occupation, vocation, profession, or other means of livelihood within the City. Moreover, businesses that do conduct business within the City but are based outside the City may be subject to the tax if they physically perform work within the City for seven or more days per year.

Observations

Many parts of the City of Los Angeles are referred to by their district name rather than as Los Angeles; for example, Woodland Hills is within the City. Accordingly, a taxpayer should first confirm whether it is subject to these taxes. Additionally, a taxpayer should be careful in identifying the appropriate business classification as the classification determines the tax rate. Finally, the business license tax is a tax based on in-city activity measured by gross receipts associated with that activity. The City has issued a number of rulings that guide taxpayers on how to determine the amount of gross receipts subject to measurement. Taxpayers should review these rulings especially if they have activity in the City but seemingly little in-city gross receipts or if there are significant amounts of gross receipts but limited activity.

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