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For taxpayers falling within the general "professions and occupations" category, gross receipts are apportioned using a cost-of-performance type methodology, with certain adjustments to the basis of gross receipts depending on the location of certain supporting activities such as accounting, billing, collection, and administration activities. Observation: Taxpayers should consider reviewing their historical methodology for determining their cost of performance and receipts sourced to the City due to the current remote working environment. While certain costs considered in the cost-of-performance analysis, such as rent expense, will not be significantly impacted, costs such as payroll may be significantly affected depending on the location of where services are being performed.LABCT renewal Taxpayers must file the annual renewal by February 28, 2023, in order to maintain good standing with the City. 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With work-from-home arrangements becoming more common, along with broad nexus standards, companies may find themselves unexpectedly triggering a filing obligation or increasing/decreasing their level of business activity in Los Angeles. A voluntary disclosure program is available for companies that are subject to the tax but have not yet registered. The LACBT is a business license tax levied on those who do business in the city of Los Angeles (City). The license tax is a gross receipts-based tax levied against taxpayers who live in the city or conduct business there. The threshold for being considered "engaged in business in the City" may be lower than the traditional income tax nexus. A person is considered engaged in business if he/she: Has a physical presence or regularly solicits business in the City Performs work or renders services for seven or more days in the City, or Consummates four or more transactions in the City. Companies may have employees working remotely within Los Angeles. If such presence is treated as satisfying the qualifications noted above, a company may be subject to the LACBT. The City taxing jurisdiction is not limited to the incorporated City of Los Angeles; it extends to various cities located within the boundaries of Los Angeles County. The LACBT is generally imposed at a rate ranging from 0.1% to 6.0% on all gross receipts earned in the City by a taxpayer. The tax rate is determined by a taxpayer's business tax classification, with many taxpayers falling within the "professions and occupations" category, which has a rate of 0.425% for the 2023 filing. The "professions and occupations" category is a catch-all for taxpayers who do not fit into any of the other tax classifications. LACBT Renewal To maintain good standing with the City, taxpayers must file the annual renewal by February 28, 2023. The gross receipts measure is based on the prior calendar year's apportioned gross receipts. The relatively short time frame between the end of the typical taxpayer's calendar year and the reporting deadline can pose compliance challenges for taxpayers. A 45-day extension may be granted by the Director of Finance upon written request. To avoid late filing penalties, a minimum of 90% of the tax must be paid by the original due date of February 28 if an extension request is granted. The LACBT applies only to gross receipts deemed to be attributable to business activities conducted in the City. The methodology used to apportion gross receipts varies depending on the taxpayer's classification. Gross receipts are apportioned using a cost-of-performance type methodology for taxpayers in the general "professions and occupations" category, with certain adjustments to the basis of gross receipts depending on the location of certain supporting activities such as accounting, billing, collection, and administration activities. Los Angeles City Voluntary Disclosure Agreement With the broad nexus standards, taxpayers may be treated as engaged in business in the City and may be unaware of their LACBT filing obligation. If a taxpayer does not have a City business tax license and the City has not yet identified the taxpayer, the taxpayer may be eligible to enter into a voluntary disclosure agreement (VDA) with the City. A VDA requires a taxpayer to remit taxes and interest for up to six years (depending on when the taxpayer began doing business in the City) and waives any underpayment penalties, which rise to 40% of the unpaid tax liability after four months of delinquency. If you have any questions regarding the requirements for filing, please contact us for additional information. The Los Angeles City Council granted a rate reduction for the top business tax classification. The lowering of the business tax rate for the L049 fund/class, which includes Professions and Occupations, will be phased in over three annual tax periods which began on January 1, 2016 is as follows: January 1, 2016 reduced from \$5.07 for each \$1,000 of gross receipts or fractional part, to \$4.75 for each \$1,000 of gross receipts or fractional part. January 1, 2017 reduced from \$4.75 for each \$1,000 of gross receipts or fractional part, to \$4.50 for each \$1,000 of gross receipts or fractional part. Tax years beginning after December 31, 2017 the tax rate will be \$4.25 for each \$1,000 of gross receipts or fractional part Created with Sketch.2025 Rev. 4 (current)Archived LAMC Chapter I (January 21, 2024)Old Charter, Election Code, Council RulesCompare to:Archived LAMC Chapter I (January 21, 2024)Old Charter, Election Code, Council Rules SEC. 21.49. GROSS RECEIPTS FUND CLASS 9. (Added by Ord. No. 178,101, Eff. 1/9/07.) For every person engaged in business conducting Auto Parks, Health Maintenance Organizations, Any Trade, Calling, Occupation, Vocation, Profession or other means of livelihood, as an independent contractor and not an employee of another, and not specifically taxed by other provisions of this article, Tax Rate F, as set forth in Section 21.33(f), shall be applicable. (a) AUTO PARK. Auto Park means engaged in the business of conducting any automobile parking place, storage lot or storage place where motor vehicles are parked or stored, and a charge is made directly or indirectly for the parking or storage. (b) HEALTH MAINTENANCE ORGANIZATIONS. Health Maintenance Organization means engaged in business arranging for the provision of health care services to subscribers or enrollees, or to pay for or to reimburse any part of the cost for those services, in return for a prepaid or periodic charge paid by or on behalf of the subscribers or enrollees. 1. For the purposes of this section, gross receipts of a Health Maintenance Organization, which are attributable to a place of business within the City, shall be apportioned by using the total cost method to determine the amount of gross receipts that are subject to tax. The total cost method uses a ratio to derive a percentage that is multiplied by the total gross receipts. The numerator of the ratio is the total in-City costs. The denominator of the ratio is the sum of the total in-City costs and the total out-of-City costs. The percentage derived by dividing the numerator by the denominator is multiplied by the total gross receipts to determine the amount of gross receipts that are subject to tax. Total costs shall include a Health Maintenance Organization's payroll and related costs, and contract health care provider costs, incurred within and without the City. 2. The apportionment formula set forth in Subdivision 1. shall be applicable to all tax years not barred by the statute of limitations on January 1, 1998. Notwithstanding the foregoing, no person shall be entitled to a refund for any tax year prior to 1998, due to the application of the apportionment formula set forth in Subdivision 1. In computing any person's tax liability due for tax years prior to 1998, offsets of applicable credits not barred by the statute of limitations shall be allowed before determining the total tax due. 3. The Director of Finance shall levy an assessment pursuant to Section 21.16 of this article in the amount of the underpayment against any person who has underpaid tax for any tax year prior to 1998, to which the apportionment formula set forth in Subdivision 1. is applicable. 4. Notwithstanding the provisions of Section 21.05 of this Code, no penalty shall apply, and interest shall accrue at the rate equal to the annualized rate of return on the general pool earned by the City Treasurer for the calendar year prior to the tax year involved, on any underpayment described in Subdivision 3. 5. No interest described in Subdivision 4. shall accrue during the period commencing on January 1, 1997, and ending on June 30, 1998. 6. Notwithstanding the provisions of Section 21.05 of this Code, the tax under this section for the 1998 tax year shall not be delinquent until July 1, 1998, and prior to that date, no penalty shall apply and no interest shall accrue. (c) PROFESSIONS AND OCCUPATIONS. 1. Professions and Occupations means a person engaged in any trade, calling, occupation, vocation, profession or other means of livelihood, as an independent contractor and not as an employee of another, and not specifically taxed by other provisions of this article. 2. A person engaged in more than one trade, calling, occupation, vocation, profession or other means of livelihood embraced within this section shall consolidate all gross receipts and shall be issued one registration certificate covering all these activities. Any person engaged in any activities embraced within this section, in addition to activities covered by any other section of this article, shall obtain separate registration certificates for the activities covered by those other sections. 3. As used in this section, the term "gross receipts" does not include: (i) Receipts from a trade, calling, occupation, vocation, profession or other means of livelihood, which this City is prohibited from taxing under the Constitution or laws of the United States, or under the Constitution or laws of the State of California; (ii) Receipts of community chests, funds, foundations or corporations organized and operated for religious, hospital or charitable purposes, not conducted for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual; (iii) Receipts of non-profit educational institutions of collegiate grade, defined here to mean institutions incorporated as colleges or seminaries under the laws of the State of California, which require for regular admission, the completion of a four-year high school course, or its equivalent, and which confer upon their graduates at least one academic or professional degree, based on a course of at least four years in liberal arts and sciences, or on a course of at least three years in professional studies such as law, theology, education, medicine, pharmacy, architecture, fine arts, commerce or journalism; receipts of non-profit secondary schools which are duly accredited by the University of California; and receipts of non-profit elementary schools in which instruction is given to students in the pre- primary and primary grades in the several branches of studies required to be taught in the public schools of the State of California; (iv) Receipts of Rotary, Kiwanis and Lions Clubs, non-profit automobile clubs, Chambers of Commerce, and other community service organizations; also receipts of trade associations such as Merchants Plumbers Association, Merchants and Manufacturers Association and labor organizations; a. Railroad companies including street railways, defined here to include interurban electric railways; b. Sleeping car, dining car, drawing-room car, and palace car companies, refrigerator, oil, stock, fruit and other car-loaning and other car companies operating upon railroads in this City; c. Companies doing express business on any railroad, steamboat, vessel in this City; d. Telegraph and telephone companies; e. Companies engaged in the transmission or sale of gas or electricity. (vi) Receipts of persons acting as agents or brokers for other persons to be paid over to those other persons, or to pay for those other persons' legal obligations, or as reimbursements for sums advanced by the agent for those other persons' legal obligations, or to be invested on behalf of those other persons. Notwithstanding the foregoing, however, the term "gross receipts" includes but is not limited to: Receipts of any person received as commissions or fees earned, or charges of any character made or compensation of any character received, for the performance of any service by that person or any of that person's employees; Receipts of any person received as partial or full compensation or reimbursement for salaries, payroll taxes, free benefits and any and all similar expenses for persons who are employees of that person under the criteria set forth in Division 4, Part 1, Chapter 2, Article 2 of the Labor Code of the State of California as effective on July 1, 1976. Receipts of any person received as partial or full compensation or reimbursement for equipment, supplies, utilities, or other items or services acquired by that person in that person's name and used or consumed in the performance of services subject to tax under this section. Provided, further, that any agent or broker dealing in stocks or other similar written instruments evidencing the right to participate in the assets of any business, or dealing in bonds or other evidences of indebtedness, who also deals in that property as a principal, shall include the gross receipts by which the tax is measured the amount of the agent's or broker's trading profits resulting from these dealings. No deduction from receipts attributable to trading as a principal shall be made unless the deduction is provided for under Subsection (a) of Section 21.00 of this article. (vii) Receipts from the publication and sale of newspapers, magazines and other periodicals regularly issued at average intervals not exceeding three months. The exclusion contained in this paragraph shall apply only to business tax periods commencing on or after January 1, 1984. (viii) Receipts derived by a radio or television studio, station or network business from the production or broadcasting of local or network radio or television programs or advertising materials, including but not limited to the furnishing of services, program elements or facilities in connection with the production or broadcasting; provided, however, that nothing in this paragraph shall exempt any person from the tax imposed under Section 21.109 or exclude from the measure of the tax any receipts derived by any person from the operation of a television system where the viewing audience pays a fee to view the broadcast; provided, further, that nothing in this paragraph shall be construed as entitling any studio, station or network business to engage in a business subject to tax under Section 21.42, Wholesale Sales, or Section 21.47, Retail Sales, or Section 21.46, Personal Property Rental, without paying the tax required in those sections. The exclusion contained in this paragraph shall apply only to business tax periods commencing on or after January 1, 1984. (ix) Receipts of a person acting as a real estate salesperson as that term is defined in Section 10016 of the California Business and Professions Code. (x) Receipts (whether considered in total or measured by cost of operations in the City or any other proxy) of a mutual fund that is registered under the Investment Company Act of 1940, as amended (15 U.S.C. § 80a-1 to 80b-2), as an open-end management investment company provided that it qualifies as a Regulated Investment Company under Subchapter M of the Internal Revenue Code of 1986, as amended (26 U.S.C. § 851) (the "IRC"). However, Receipts of a mutual fund that fails to qualify under Subchapter M or of a mutual fund that receives more than ten percent of its gross income from other than qualifying sources as described in section 851(b)(2) of the IRC shall not be excluded under this paragraph. The exemption for qualified mutual funds contained in this paragraph shall apply in full only to business tax periods commencing on or after January 1, 2014, and shall be phased in as follows: For business tax periods commencing on or after January 1, 2012, and before January 1, 2013, said Receipts shall be taxed at 2/3 of the rate set forth in Section 21.33(f), and for business tax periods commencing on or after January 1, 2013, and before January 1, 2014, said Receipts shall be taxed at 1/3 of the rate set forth in Section 21.33(f). (Added by Ord. No. 181,951, Eff. 1/8/12.) 4. When the gross receipts are derived from or attributable to activities engaged in within and without the City, gross receipts shall be allocated in a manner that is fairly calculated to determine the amount of gross receipts derived from or attributable to engaging in business in the City. This allocation shall be made on the basis of payroll, value and situs of tangible property, general expense, or by reference to any of these or other factors, or by another method of allocation that will fairly determine the amount of gross receipts derived from or attributable to engaging in business in the City. Gross receipts derived from isolated or occasional transactions at places outside the City but within the State of California, where the registrant is not regularly engaged in a course of business transactions shall be deemed to be gross receipts derived from engaging in business in the City. Gross receipts derived from or attributable to sources within this City include: (a) gross receipts from tangible or intangible property located or having situs in this City; and (b), when not contrary to law, gross receipts from any activities carried on in this City regardless of whether carried on in interstate, intrastate or foreign commerce. 5. Allocation formulae designed to carry into effect the purpose of this subsection shall be adopted by the Director of Finance by rules and regulations. The Director of Finance is hereby authorized, in the application to individual cases of the rules and regulations and the formulae they contain, to make any modifications in formulae that may be necessary to carry out the intent of this subsection. If the Director of Finance reallocates gross receipts upon the Director's examination of any return, the Director of Finance shall, upon the written request of the registrant, disclose to the registrant the basis upon which the reallocation has been made.