

# Los Angeles Business Tax amnesty program announced

September 17, 2013

## In brief

The City of Los Angeles Office of Finance (City) is administering an [amnesty program](#) from September 1, 2013, through December 2, 2013, for the Los Angeles Business Tax and other city taxes. Participating taxpayers may receive a penalty waiver, but must pay all interest. The City provides that following the amnesty period it will 'vigorously pursue' a wide range of enforcement actions.

Due to broadly-defined nexus standards and the fact that the city business tax is imposed on more than corporations, businesses might be unaware that they are subject to tax by the city. Interested taxpayers should consider the benefits and consequences of the program before applying for amnesty.

## In detail

### **Taxes covered by the amnesty**

The amnesty is provided for the following Los Angeles City taxes: Business Tax, Utility Users Taxes (Telephone, Electricity, Gas), Commercial Tenant's Occupancy, Transient Occupancy, and Parking Occupancy Taxes

### **Qualified participants**

To qualify for the amnesty, a taxpayer must pay all principal, interest, and fees relating to the respective tax and sign and return a Tax Amnesty Billing Notice. Unregistered taxpayers must complete, sign, and return a Tax Amnesty application. Registered taxpayers that have received a bill for outstanding

taxes may file for amnesty and paid their bill online.

### **Penalty waiver**

Amnesty participants will receive penalty waivers, which could range up to 40% of the tax due. Any penalties paid prior to September 1, 2013, are not eligible for amnesty waiver.

### **Enhanced enforcement actions after December 2, 2013**

The City provides that following the amnesty period, the City will vigorously pursue a range of enforcement actions, including:

- an additional 10% Negligence Penalty
- an expanded audit program
- expanded on-site investigations

- data matching with governmental agencies to identify unregistered businesses
- whistleblower program
- referral to outside collection and credit reporting agencies
- possible legal action
- publication of tax debt
- revocation of police permit to operate parking lots
- tax liens on business real and personal property.

## The takeaway

Many companies may be subject to the Los Angeles City Business Tax and not realize it. The City's

nexus standard is very broad and includes conducting, operating, managing or carrying on a business in the City limits. This includes businesses that do not have a physical location in the City but merely have employees or agents that enter the City limits for business purposes.

It should also be noted that taxpayers include any type of legal entity,

including pass-through and disregarded entities. Finally, the City boundaries are more expansive than one might think. There are many neighborhoods in the County of Los Angeles that may not include 'Los Angeles' in the address but are within the City limits (for example, portions of Century City, Sherman Oaks, Beverly Hills, and many others). If a

company has any business activities in the County of Los Angeles, now would be a good time to think about whether or not they have a City of Los Angeles tax filing obligation and possibly take advantage of the amnesty program.

### ***Let's talk***

For more information regarding the Los Angeles tax amnesty program, please contact:

#### ***State and Local Tax Services***

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