

Fact Sheet on the Proposed County of Los Angeles Business Registration Program

Prepared by the Departments of Treasurer-Tax Collector and Consumer and Business Affairs
August 2018

1. What is the Business Registration Program (Program)?

The proposed Program, which is still in the development phase, would require certain businesses to register each year with the County of Los Angeles (County) Treasurer and Tax Collector (TTC), and pay an annual registration fee. The Program only applies to the following:

- Businesses located in the [unincorporated areas](#) of the County (or visit TTC's website at: http://ttc.lacounty.gov/Proptax/BusLic_NewApplInfo.htm).
- Businesses that are not subject to the County's Business License Program.

2. How is the Program different from the Business License Program?

The County Business License program is regulation-based and requires licenses for over 110 business activities that may impact the health, safety, and welfare of the public. You may find the list of those activities on TTC's [website](#) (or visit https://ttc.lacounty.gov/Proptax/Business_License_List.htm). Businesses that are not required to be licensed will be required to register under the Program unless they are exempt.

3. What is the purpose of the Program?

The purpose of the Program is to build a single, comprehensive source of data on the number and characteristics of businesses in our unincorporated areas.

The County will use this data to improve upon its service delivery to business communities. These services include business programs within the Department of Consumer and Business Affairs (DCBA) and the Department of Workforce Development, Aging and Community Services; new financial products offered through the Community Development Commission; and streamlining the permitting approval processes through the Departments of Public Works and Regional Planning.

4. How did the Program come about?

The development process of the proposed Program began in 2015 with three phases:

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- **Phase I (November 2015)** - The County Board of Supervisors (Board) directed the TTC to inventory all business license programs in the County's 88 cities and evaluate the expansion of the County's Business License Program to all businesses. The TTC presented the Board with two options: 1) expand the Business License Program to all businesses, or 2) develop and implement the new Program for all businesses not subject to the Business License Program, reserving the right to expand the Business License Program in a deliberate manner at a later time. The TTC noted that the Program was the more business-friendly option. Further, the simpler application process and the single registration fee of the Program would have less of an economic impact on businesses than the regulatory fees charged in the Business License Program.
- **Phase II (May 2016)** - The Board noted that the Program could be designed to balance effective service to the business community and cost recovery, and still offer the unincorporated areas a competitive advantage over many cities in the region, which may have higher taxes and license fees. Accordingly, the Board directed the TTC to report back with a proposal for implementation of the Program, and the TTC submitted the implementation proposal in August 2016.
- **Phase III (Present)** – In February 2018, the Board directed the TTC and the DCBA to evaluate further various components of the Program, including its applicability to all businesses; gather additional input from the business community; and to codify the recommended Program into a County ordinance. The TTC and DCBA will report back to the Board with recommendations, but the Board would need to take further action by adopting an ordinance in order for the Program to begin.

5. Does the Program apply to all businesses regardless of business type, number of employees and gross annual sales?

Yes, the requirement to register will apply to all businesses. However, in its February 2018 motion, the Board directed DCBA to provide recommendations for potential reduced or waived fees for certain businesses (e.g., microbusinesses). DCBA will provide its recommendations to the Board in October 2018.

6. Does the County plan to charge businesses subject to the Program a fee for registering?

Yes. In its implementation proposal submitted in August 2016, TTC had estimated an annual, flat registration fee to be \$185.

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7. What is this fee for?

The fee was calculated to recover the staff time necessary to administer the Program, including addressing business inquiries, processing applications and payments, and issuing registration certificates.

8. Are there any exemptions from paying the fee?

No, there are no exemptions at this time. However, in its February 2018 motion, the Board directed DCBA to provide recommendations for potential reduced or waived fees for certain businesses (e.g., microbusinesses). DCBA will provide its recommendations to the Board in October 2018.

9. Isn't this fee another "tax" on businesses?

No, the registration fee is a fee permissible under Proposition 26 (2010), to recover the reasonable costs of the administration of the Program.

10. Why should a business pay a fee for data the County could otherwise obtain through other sources?

There is no single, comprehensive source of data on the number and characteristics of businesses in the County's unincorporated communities, and the Program is a mechanism for the County to accumulate that data. This view of the Program is a collective view by the County – a view of all businesses in their respective communities – and the importance of the collective view to focusing, marketing and delivering resources.

11. Will this new fee result in more businesses moving to neighboring incorporated cities, or leaving the County all together?

No, we do not believe this fee will result in businesses moving from unincorporated areas to incorporated cities, because the great majority of incorporated cities have higher business taxes than the County's unincorporated areas.

As an example, we calculated the business tax or registration fee in each of the ten largest (by population) incorporated cities in the County, for a retail business with three employees and gross annual sales of \$250,000. The chart below shows that the proposed \$185 fee for the Program is less than eight of the ten fees in these incorporated cities, by an average of 31%.

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| 1. | Los Angeles | \$317.50 | 6. | Pasadena | \$258.84 |
| 2. | Long Beach | \$263.63 | 7. | Torrance | \$258.00 |
| 3. | Glendale | \$253.99 | 8. | Lancaster | \$177.00 |
| 4. | Pomona | \$235.25 | 9. | El Monte | \$297.00 |
| 5. | Palmdale | \$34.00 | 10. | Inglewood | \$275.00 |

Note: The City of Santa Clarita's population warranted inclusion. However, the City of Santa Clarita has adopted the County's Business License Ordinance, so we excluded the City of Santa Clarita from this comparison.

12. Will the County share information on businesses that register for the Program with State and Federal taxing authorities, such as the Internal Revenue Service (IRS)?

The County does not intend to share information on businesses that register under the Program with State or Federal authorities, including taxing authorities, unless required to do so by law or court order.

13. Will the Program be applicable to sidewalk vendors or home-based businesses?

No, not as currently proposed. The Program will apply to businesses that operate out of a physical, brick and mortar, fixed place of business.

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| A Comparison of the County's Business License Program And the Business Registration Program | | |
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| | Business License Program | Business Registration Program |
| Does it currently exist or is it in development? | Currently exists. | In development. |
| What is it? | A County regulatory ordinance which applies to all business types listed in the ordinance. Currently, 110 business activities require a business license. Generally, these are businesses that have a nexus to the public's health, safety and welfare. | A proposed framework for registering all businesses not required to be licensed through the Business License Program. Generally, these firms will NOT have a nexus to the public's health, safety and welfare. |
| To which types of businesses does it apply? | Businesses which conduct the 110 business activities identified in Title 7 of the County Code. | Businesses that require a Business License through the Business License Program. |
| Are any businesses exempt? | Businesses in Title 7 that currently do not require a Business License. | Businesses that require a Business License are not required to register. |
| Is it required to run my business? | Yes, if your business type is listed in Title 7. | Generally, yes, if the Program does not require a Business License. |
| What happens to me and my business if I don't obtain it? | Operating a business without a required Business License is a violation of one or more provisions of a County ordinance and you can face a number of penalties, including being fined and shut down. | We are still developing the enforcement protocols. |
| Is participation mandatory or voluntary? | Mandatory for the 110 business activities identified in Title 7. | Mandatory, although certain exemptions are under review. |
| How much does it cost? | The license fees vary by business activity, as set forth in Section 7.14.010 of the County Code. The weighted average cost per license is \$430. Note that business license fees were most recently revised in 2002, and may change in the near future. | The estimated annual registration fee is \$185. |
| Are there payment plans? | No. | No. |

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THE MULTI-YEAR DEVELOPMENT, IN THREE DISTINCT AND MEASURED PHASES, OF A BUSINESS REGISTRATION PROGRAM

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| <p>Phase 1: Inventory business registration, licensing and permitting processes of all 88 cities and report back on feasibility of expanding the business license program to all businesses in the unincorporated areas.</p> | |
| <p>November 17, 2015 Board of Supervisors' Agenda Item 4, No. 4</p> | <p>A motion directed the Treasurer and Tax Collector (TTC), Interim County Counsel, Chief Executive Officer (CEO), and all relevant Departments to report back to the Board on the existing criteria and practices for business registration, licensing, or permitting processes of all 88 cities in Los Angeles County and on the feasibility of expanding business licensing to all businesses in the unincorporated areas.</p> <p>The motion is available at: http://file.lacounty.gov/SDSInter/bos/supdocs/99340.pdf.</p> |
| <p>March 25, 2016</p> | <p>The TTC submitted its report, in response to the November 17, 2015 motion, with the requested analysis and options for consideration. The TTC presented the Board with two options: 1) expand the Business License Program to all businesses or 2) develop and implement a new Program for all businesses not subject to the Business License Program. The TTC noted that a Program was the more business friendly option because it didn't overlay the complexity of the Business License Program on businesses that did not have a nexus to the health, safety and welfare of the constituency. Further, the simpler application process and the single nominal fee of the Program would have less of an economic impact to businesses than the Business License Program.</p> <p>The report is available at: http://file.lacounty.gov/SDSInter/bos/bc/241858_ReviewofCityBusinessLicensingPracticesandTheFeasibilityofExpandingTheCountysBusinessLicenseOrdinancetoAllBusinessesintheUnincorporatedArea.pdf</p> |

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| <p>Phase 2: The Board noted that the Program could be designed to balance effective service to the business community and cost recovery, and still offer the unincorporated areas a competitive advantage over many cities in the region, which may have higher taxes and license fees. Accordingly, in May 2016, the Board requested the TTC to report back with a proposal for implementation of the Program, in lieu of an expansion of the Business License Program.</p> | |
| <p>May 3, 2016 Board of Supervisors' Agenda</p> | <p>A motion directed the TTC to submit a proposal to implement a Program. The motion is available at: http://file.lacounty.gov/SDSInter/bos/supdocs/103442.pdf</p> |
| <p>August 31, 2016</p> | <p>The TTC and the Department of Consumer and Business Affairs (DCBA) respond to the May 3, 2016 motion's request for a 120 day report. This response is available at: http://file.lacounty.gov/SDSInter/bos/bc/246643_45-DayReportBackToTheBoard-May32016AgendaItemNo2-BusinessRegistration.pdf</p> |
| <p>Phase 3: In its third and current phase, the Board ordered the TTC and the DCBA to evaluate further various components of the Program, including its applicability to all businesses; conduct additional outreach to the business community; and to codify the recommended Program into a County ordinance.</p> | |
| <p>February 13, 2018</p> | <p>A motion co-authored by Supervisors Kuehl and Hahn instructed the Chief Executive Officer (CEO) and the TTC to “take the steps necessary to develop a new Los Angeles County Business Registration Program.” The motion is available at http://file.lacounty.gov/SDSInter/bos/supdocs/121131.pdf</p> |