



TAX REFORM

APPENDIX

APPENDIX

PRIMARY INDUSTRY CODE SYSTEM

This new system provides \$23 million in tax relief for companies currently paying the Los Angeles Business Tax. Information relating to tax liability impacts has been derived from the quantitative tax model developed by the Milken Institute. Economic projections, based on 1995 City Clerk data, have been utilized to extrapolate the amount of tax relief to the year 2001.

TOTAL TAX RELIEF: \$23 MILLION

Currently, companies with multiple site locations within Los Angeles file and pay an individual business license tax for each separate business location within the City. Under the PIC system, the primary activity of the company, reported as the Standard Industrial Classification on the company's federal income tax returns, will be used to determine the tax rate. All gross receipts will be taxed at the Proposed Single Tax Rate corresponding to the businesses' SIC. A company with multiple locations in or out of the City will need to petition the City Clerk if the primary activity at any of its in-City sites differs from its federally-reported SIC. The same federal guidelines used to determine a company's federal SIC will be applied to its site-specific business locations. Subsidiaries located at the same site will continue to file separate business licenses and pay the business tax rate appropriate for each subsidiary. For companies filing a consolidated business license tax for multiple business license sites, each site will continue to calculate its Business Tax based on site-specific activities and gross receipts of each separate location.

EXHIBIT 15

Filing Fee	\$20 (All companies)
Minimum Tax	A flat rate of \$75 will be paid for gross receipts up to the Minimum Tax Threshold for each Tax Rate category. Gross receipts above the Minimum Tax Threshold will be taxed at the specified tax rate. Companies with less than \$5,000 in gross receipts will only pay the filing fee, not the Minimum Tax.
MINIMUM TAX THRESHOLDS	TAX RATES PER \$1,000 IN GROSS RECEIPTS
\$63,000	\$1.20
\$54,000	\$1.40
\$47,000	\$1.60
\$33,000	\$2.50
\$24,000	\$3.10
\$17,000	\$4.35
\$14,000	\$5.20
\$14,000	\$5.40

DEFINITIONS FOR PRIMARY INDUSTRY CODE CATEGORIES

STANDARD INDUSTRIAL CLASSIFICATION (SIC) –

This four-digit code is used by all levels of government and private sector business-information companies (e.g. Dunn and Bradstreet) to classify the activity of a business. The SIC will eventually be replaced by the North American Industry Classification System (NAICS).

PROPOSED SINGLE TAX RATE –

This is the single tax rate which the industry, identified by its SIC, will pay under the new system.

CURRENT INDUSTRY TAX RATE –

This is the weighted average of the tax rates paid by businesses within specific SIC industries. Because businesses currently pay

under multiple rates, the Current Industry Tax Rate is the most accurate indicator of the current rate of taxation within industries. For example, an industry consisting of four firms may have an effective tax rate of \$2.03 (Exhibit 16).

TAX RATE PERCENTAGE CHANGE –

This represents the percentage difference between the Current Industry Tax Rate and the Proposed Single Tax Rate. For example, an industry with a Current Industry Tax Rate of \$2.03 and a Proposed Single Tax Rate of \$1.60 has had its industry-wide tax rate reduced by 21% ($0.43/\$2.03$). As Exhibit 16 illustrates, while the overall tax liability for this industry is reduced by 21%, the tax impact is different for each firm within the industry.

EXHIBIT 16

EXAMPLE OF A CURRENT INDUSTRY TAX RATE FOR A FOUR BUSINESS INDUSTRY				
FOUR FIRMS	TOTAL GROSS RECEIPTS	TOTAL APPORTIONED TAX RATES PER \$1,000 IN GROSS RECEIPTS	TOTAL TAX	AVERAGE TAX RATE *
A	\$10,000,000	(\$9,000,000 @ \$1.48) + (\$500,000 @ \$1.18) + (\$500,000 @ \$5.91)	\$16,865	\$1.69
B	\$35,000,000	\$35,000,000 @ \$1.48	\$51,800	\$1.48
C	\$1,000,000	(\$700,000 @ \$1.48) + (\$300,000 @ \$5.91)	\$2,809	\$2.81
D	\$200,000,000	(\$170,000,000 @ \$1.48) + (\$30,000,000 @ \$5.91)	\$428,900	\$2.14
Total Industry Tax Paid			\$500,374	
Total Industry Gross Receipts				\$246,000,000
Current Industry Tax Rate		Total Industry Tax Paid/Total Industry Gross Receipts = \$2.03 *		

* Per \$1,000 in gross receipts.

TAX RATE CATEGORIES

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Standard Industrial Classification (SIC): This four-digit code will be used to identify the predominant business activity at a specific site.

Proposed Single Tax Rate: The single tax rate which the industry, identified by its SIC, will pay under the new system.

Current Industry Tax Rate: The average tax rate paid by businesses within specific SIC industries.

Tax Rate Percentage Change: The percentage difference between the Current Industry Tax Rate and the Proposed Single Tax Rate.

SIC CODE	INDUSTRY SECTOR	PROPOSED SINGLE TAX RATE	CURRENT INDUSTRY TAX RATE	PERCENTAGE CHANGE
\$1.20 PER \$1,000 CATEGORY				
100	Agricultural Production—Crops	\$1.20	\$1.32	-9%
200	Agricultural Production—Livestock	\$1.20	\$1.28	-6%
780	Landscape and Horticultural Services	\$1.20	\$5.30	-77%
790	Other Agricultural Services	\$1.20	\$5.91	-80%
800	Forestry	\$1.20	\$1.48	-19%
900	Fishing, Hunting, and Trapping	\$1.20	\$4.88	-75%
1000	Metal Mining*	\$1.20	NA	NA
1300	Oil and Gas Extraction	\$1.20	\$1.34	-11%
1400	Nonmetallic Minerals, Except Fuels	\$1.20	\$1.38	-13%
2000	Food Processing or Manufacturing**	\$1.20	\$1.23	-2%
2200	Textile Mill Products	\$1.20	\$1.21	-1%
2400	Lumber and Wood Products	\$1.20	\$1.28	-6%
2500	Furniture and Fixtures	\$1.20	\$1.35	-11%
2600	Paper and Allied Products	\$1.20	\$1.24	-3%
2760	Manifold Business Forms	\$1.20	\$1.31	-8%
2770	Greeting Cards	\$1.20	\$1.25	-4%
2800	Chemicals and Allied Products	\$1.20	\$1.27	-5%
2900	Petroleum and Coal Products	\$1.20	\$1.22	-1%
3000	Rubber and Miscellaneous Plastics Products	\$1.20	\$1.27	-5%
3100	Leather and Leather Products	\$1.20	\$1.29	-7%
3200	Stone, Clay, and Glass Products	\$1.20	\$1.27	-5%
4810	Telephone Communication***	\$1.20	\$1.18	1%
5012	Wholesale—Automobiles	\$1.20	\$1.30	-8%
5120	Wholesale Trade—Drugs	\$1.20	\$1.20	0%
5170	Wholesale Trade—Petroleum	\$1.20	\$1.27	-5%
7311	Advertising Agencies	\$1.20	\$1.24	-3%
7336	Commercial Art and Graphics	\$1.20	\$1.58	-24%
7371	Computer Programming Services	\$1.20	\$1.38	-13%
7372	Prepackaged Software	\$1.20	\$1.30	-8%
7373	Computer Integrated Systems Design	\$1.20	\$1.26	-5%
7818	Directors, Motion Picture—Independent	\$1.20	NA	NA
7920	Producers, Orchestras, and Entertainers	\$1.20	\$1.95	-38%
8210	Elementary and Secondary Schools	\$1.20	\$5.54	-78%
8220	Colleges and Universities	\$1.20	\$5.73	-79%
8230	Libraries	\$1.20	\$5.91	-80%
8240	Vocational Schools	\$1.20	\$5.84	-79%
8290	Schools and Educational Services, Not Elsewhere Classified	\$1.20	\$5.91	-80%
8320	Individual and Family Services	\$1.20	\$5.91	-80%
8330	Job Training and Related Services	\$1.20	\$5.91	-80%
8350	Child Day Care Services	\$1.20	\$2.32	-48%

TAX RATE CATEGORIES

APPENDIX CONTINUED

SIC CODE	INDUSTRY SECTOR	PROPOSED SINGLE TAX RATE	CURRENT INDUSTRY TAX RATE	PERCENTAGE CHANGE
\$1.20 PER \$1,000 CATEGORY CONT.				
8360	Residential Care	\$1.20	\$4.78	-75%
8390	Social Services, Not Elsewhere Classified	\$1.20	\$3.76	-68%
8410	Museums and Art Galleries	\$1.20	\$1.75	-31%
8420	Botanical and Zoological Gardens	\$1.20	\$1.48	-19%
8610	Business Associations	\$1.20	\$4.99	-76%
8620	Professional Organizations	\$1.20	\$5.91	-80%
8630	Labor Organizations	\$1.20	\$2.06	-42%
8640	Civic and Social Associations	\$1.20	\$3.92	-69%
8650	Political Organizations	\$1.20	\$5.91	-80%
8660	Religious Organizations	\$1.20	\$3.02	-60%
8690	Membership Organizations, Not Elsewhere Classified	\$1.20	\$4.85	-75%
8991	Writers and Artists	\$1.20	\$5.91	-80%
*	<i>No businesses currently in this SIC category.</i>			
**	<i>Alcohol related activities will continue to pay the Business Tax using the "Maximum Limitation Rule". Only tax revenues based on gross receipts have been included in this calculation.</i>			
***	<i>State law requires that this industry must be taxed at the lowest local tax rate.</i>			

\$1.40 PER \$1,000 CATEGORY				
1500	General Building Contractors	\$1.40	\$1.65	-15%
1600	Heavy Construction, other than Building Construction	\$1.40	\$1.37	2%
1700	Special Trade Contractors	\$1.40	\$1.95	-28%
2300	Apparel and other Textile Products	\$1.40	\$2.03	-31%
2710	Newspapers	\$1.40	\$1.45	-3%
2720	Periodicals	\$1.40	\$1.46	-4%
2730	Books	\$1.40	\$1.69	-17%
2740	Miscellaneous Publishing	\$1.40	\$1.47	-4%
2750	Commercial Printing	\$1.40	\$1.47	-5%
2780	Blankbooks and Bookbinding	\$1.40	\$1.75	-20%
2790	Printing Trade Services	\$1.40	\$2.65	-47%
3300	Primary Metal Industries	\$1.40	\$1.41	-1%
3400	Fabricated Metal Products	\$1.40	\$1.61	-13%
3500	Industrial Machinery and Equipment	\$1.40	\$1.40	0%
3600	Electronic and other Electric Equipment	\$1.40	\$1.45	-3%
3700	Transportation Equipment	\$1.40	\$1.46	-4%
3800	Instruments and Related Products	\$1.40	\$3.06	-54%
3900	Miscellaneous Manufacturing Industries	\$1.40	\$1.36	3%
4480	Water Transportation of Passengers*	\$1.40	NA	NA
4490	Water Transportation Services	\$1.40	\$1.41	-1%
5000	Wholesale Trade—Durable Goods	\$1.40	\$1.47	-5%
5100	Wholesale Trade—Non-Durable Goods**	\$1.40	\$1.31	7%
5400	Food Stores	\$1.40	\$1.53	-8%
5510	Automotive Dealers	\$1.40	\$1.69	-17%
5520	Used Car Dealers	\$1.40	\$1.64	-15%

TAX RATE CATEGORIES

APPENDIX CONTINUED

Standard Industrial Classification (SIC): This four-digit code will be used to identify the predominant business activity at a specific site.

Proposed Single Tax Rate: The single tax rate which the industry, identified by its SIC, will pay under the new system.

Current Industry Tax Rate: The average tax rate paid by businesses within specific SIC industries.

Tax Rate Percentage Change: The percentage difference between the Current Industry Tax Rate and the Proposed Single Tax Rate.

SIC CODE	INDUSTRY SECTOR	PROPOSED SINGLE TAX RATE	CURRENT INDUSTRY TAX RATE	PERCENTAGE CHANGE
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\$.40 PER \$1,000 CATEGORY CONT.

5980	Fuel Dealers	\$1.40	\$1.50	-7%
7335	Commercial Photography	\$1.40	\$1.80	-22%
7384	Photofinishing Laboratories	\$1.40	\$2.06	-32%
8072	Dental Laboratories	\$1.40	\$1.50	-7%

* Transportation industries will continue to use special worksheets. Gross receipts not eligible to be included in the work sheet calculation will fall within this industry category. Tax receipts paid from special worksheet calculations are not included in this data.

** Alcohol related activities will continue to pay the Business Tax using the "Maximum Limitation Rule". Only tax revenues based on gross receipts have been included in this calculation.

\$.60 PER \$1,000 CATEGORY

4830	Radio and Television Broadcasting	\$1.60	\$1.54	4%
4840	Cable and other Pay Television Services	\$1.60	\$2.54	-37%
4890	Communication Services, Not Elsewhere Classified	\$1.60	\$1.59	1%
5200	Building Materials and Garden Supply Stores	\$1.60	\$1.54	4%
5300	General Merchandise Stores	\$1.60	\$1.56	3%
5500	Auto and Home Supply Stores, Gasoline Service Stations, and other Vehicles	\$1.60	\$1.77	-10%
5600	Apparel and Accessory Stores	\$1.60	\$1.70	-6%
5710	Furniture and Homefurnishings Stores	\$1.60	\$1.67	-4%
5720	Household Appliance Stores	\$1.60	\$1.72	-7%
5730	Radio, Television and Computer Stores	\$1.60	\$1.81	-11%
5800	Eating and Drinking Places	\$1.60	\$1.63	-2%
5900	Miscellaneous Retail	\$1.60	\$1.82	-12%
6510	Real Estate Operators	\$1.60	\$1.70	-6%
7010	Hotels and Motels	\$1.60	\$1.68	-5%
7020	Rooming and Boarding Houses	\$1.60	\$2.18	-26%
7030	Camps and Recreational Vehicle Park	\$1.60	NA	NA
7040	Membership-Basis Organization Hotels	\$1.60	\$1.55	4%
7210	Laundry, Cleaning, and Garment Services	\$1.60	\$1.87	-14%
7220	Photographic Studios, Portraits	\$1.60	\$1.97	-19%
7334	Photocopying and Duplicating Services	\$1.60	\$2.12	-24%
7830	Motion Picture Theaters	\$1.60	\$1.62	-1%
7840	Video Tape Rental	\$1.60	\$3.36	-52%
7930	Bowling Centers*	\$1.60	NA	NA
8810	Private Households	\$1.60	\$3.81	-58%

* Current Industry Tax Rate paid is not calculable due to the many different flat taxes that Bowling Centers currently pay.

TAX RATE CATEGORIES

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SIC CODE	INDUSTRY SECTOR	PROPOSED SINGLE TAX RATE	CURRENT INDUSTRY TAX RATE	PERCENTAGE CHANGE
\$2.50 PER \$1,000 CATEGORY				
4220	Trucking and Warehousing*	\$2.50	\$2.62	-5%
6000	Depository Institutions	\$2.50	\$3.82	-35%
7377	Computer Rental and Leasing	\$2.50	\$2.65	-6%
7514	Passenger Car Rental	\$2.50	\$2.84	-12%
7810	Motion Picture Production and Services**	\$2.50	\$4.72	-47%
7820	Motion Picture Distribution and Services	\$2.50	\$3.18	-21%
7910	Dance Studios, Schools, and Halls	\$2.50	\$2.98	-16%
7940	Commercial Sports	\$2.50	\$2.75	-9%

* Transportation industries will continue to use special worksheets. Gross receipts not eligible to be included in the work sheet calculation will fall within this industry category. Tax receipts paid from special worksheet calculations are not included in this data.

** Film production activities not falling under the production cap specifications will be included in this industry rate.

\$3.10 PER \$1,000 CATEGORY				
4110	Local and Suburban Transportation*	\$3.10	NA	NA
4120	Taxicabs*	\$3.10	NA	NA
4140	Bus Charter Services*	\$3.10	NA	NA
4150	School Buses*	\$3.10	NA	NA
4170	Bus Terminal and Service Facilities*	\$3.10	NA	NA
4500	Transportation By Air	\$3.10	\$3.86	-20%
4730	Freight Transportation Arrangements	\$3.10	\$3.15	-2%
4780	Miscellaneous Transportation Services	\$3.10	\$5.11	-39%
4820	Telegraph and other Communications	\$3.10	\$5.91	-48%
6550	Real Estate Land Subdividers	\$3.10	\$3.28	-6%
7250	Shoe Repair and Shoeshine Parlors	\$3.10	\$3.75	-17%
7260	Funeral Service and Crematories	\$3.10	\$4.37	-29%
7320	Credit Reporting and Collection	\$3.10	\$4.01	-23%
7331	Direct Mail Advertising	\$3.10	\$4.26	-27%
7350	Miscellaneous Equipment Rental and Leasing	\$3.10	\$3.09	0%
7375	Information Retrieval Services	\$3.10	\$5.91	-48%
7378	Computer Maintenance and Repair	\$3.10	\$4.62	-33%
7510	Automotive Rentals (No Drivers—No Passenger Cars)	\$3.10	\$2.97	4%
7530	Automotive Repair Shops	\$3.10	\$3.96	-22%
7540	Automotive Services, Except Repair	\$3.10	\$4.26	-27%
7620	Electrical Repair Shops	\$3.10	\$4.62	-33%
7630	Watch, Clock, and Jewelry Repair	\$3.10	\$5.91	-48%
7640	Reupholstery and Furniture Repair	\$3.10	\$5.37	-42%
7690	Miscellaneous Repair Shops	\$3.10	\$4.68	-34%

* Transportation industries will continue to use special worksheets. Gross receipts not eligible to be included in the work sheet calculation will fall within this industry category. Tax receipts paid from special worksheet calculations are not included in this data.

TAX RATE CATEGORIES

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SIC CODE	INDUSTRY SECTOR	PROPOSED SINGLE TAX RATE	CURRENT INDUSTRY TAX RATE	PERCENTAGE CHANGE
\$4.35 PER \$1,000 CATEGORY				
2100	Tobacco Products*	\$4.35	NA	NA
4210	Trucking and Courier Services	\$4.35	\$4.59	-5%
4720	Passenger Transportation Arrangements	\$4.35	\$4.61	-6%
4900	Electric, Gas, and Sanitary Services	\$4.35	\$4.55	-4%
7360	Personnel Supply Services	\$4.35	\$4.52	-4%
7374	Data Processing and Preparation	\$4.35	\$5.56	-22%
7376	Computer Facilities Management	\$4.35	\$5.91	-26%
7379	Computer Related Services	\$4.35	\$5.84	-26%
7382	Security System Services	\$4.35	\$5.25	-17%
7990	Miscellaneous Amusement, Recreation Services**	\$4.35	NA	NA
8050	Nursing and Personal Care Facilities	\$4.35	\$5.36	-19%
8060	Hospitals	\$4.35	\$4.89	-11%
8080	Home Health Care Services	\$4.35	\$5.91	-26%
8731	Research and Testing Services	\$4.35	\$5.79	-25%
8732	Commercial Market Research	\$4.35	\$5.91	-27%
8733	Noncommercial Research	\$4.35	\$5.41	-20%
8734	Testing Laboratories	\$4.35	\$5.87	-26%

* No businesses currently in this SIC industry.

** Current Industry Tax Rate not included due to the flat tax paid by various businesses within this industry.

\$5.20 PER \$1,000 CATEGORY				
740	Veterinary Services	\$5.20	\$5.63	-8%
6530	Real Estate Agents and Managers	\$5.20	\$5.91	-12%
6540	Real Estate Title Abstract Offices	\$5.20	\$5.23	-1%
7230	Beauty Shops	\$5.20	\$5.91	-12%
7240	Barber Shops	\$5.20	\$5.91	-12%
7290	Miscellaneous Personal Services	\$5.20	\$5.91	-12%
7338	Secretarial and Court Reporting	\$5.20	\$5.91	-12%
7340	Services to Buildings	\$5.20	\$5.91	-12%
7381	Miscellaneous Business Services	\$5.20	\$5.91	-12%
7383	News Syndicates	\$5.20	\$5.91	-12%
7389	Miscellaneous Business Services	\$5.20	\$5.91	-12%

TAX RATE CATEGORIES

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SIC CODE	INDUSTRY SECTOR	PROPOSED SINGLE TAX RATE	CURRENT INDUSTRY TAX RATE	PERCENTAGE CHANGE
\$5.40 PER \$1,000 CATEGORY				
4600	Pipelines, Except Natural Gas*	\$5.40	NA	NA
6100	Nondepository Institutions	\$5.40	\$5.91	-9%
6200	Security and Commodity Brokers	\$5.40	\$5.91	-9%
6300	Insurance Carriers	\$5.40	\$5.88	-8%
6400	Insurance Agents, Brokers, and Services	\$5.40	\$5.87	-8%
6700	Holding and other Investment Offices	\$5.40	\$5.72	-6%
7312	Outdoor Advertising Agencies	\$5.40	\$5.82	-7%
7313	Radio, TV, Publisher Representatives	\$5.40	\$5.87	-8%
7319	Advertising, Miscellaneous	\$5.40	\$5.74	-6%
7520	Automobile Parking	\$5.40	\$5.91	-9%
8010	Offices and Clinics of Medical Doctors	\$5.40	\$5.86	-8%
8020	Offices and Clinics of Dentists	\$5.40	\$5.88	-8%
8030	Offices of Osteopathic Physicians	\$5.40	\$5.91	-9%
8040	Offices of other Health Practitioners	\$5.40	\$5.91	-9%
8071	Medical Laboratories	\$5.40	\$5.91	-9%
8090	Health and Allied Services, Not Elsewhere Classified	\$5.40	\$5.87	-8%
8110	Legal Services	\$5.40	\$5.89	-8%
8710	Engineering and Architectural Services	\$5.40	\$5.91	-9%
8720	Accounting, Auditing, and Bookkeeping	\$5.40	\$5.91	-9%
8740	Management and Public Relations	\$5.40	\$5.80	-7%
8990	Services, Not Elsewhere Classified	\$5.40	\$5.91	-9%
9900	Nonclassifiable Establishments	\$5.40	NA	NA

* No businesses currently in this industry category.