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## Advisory panel urges Los Angeles to phase out business tax in 15 years

By Rick Orlov

Los Angeles city officials were urged Wednesday to undertake a 15-year phase-out of its gross receipts tax on business as a way to woo new business.

A report from the Business Tax Advisory Committee urged the city to adopt a three-phase approach in five-year increments to reduce the tax to its eventual elimination if other revenue comes in to make up for the business tax loss.

"We think if you reduce and eliminate the business tax, you will attract businesses to locate here, stay here and expand here," said Lloyd Greif, who chaired the panel. "We are confident the city will get more revenue if it eliminates the gross receipts tax.

"This has been done before and proved effective."

Councilman Paul Krekorian said he understood the frustration of the business community in wanting to see some action. He said the committee will continue to review the proposal in coming meetings.

"We are taking these recommendations not only exceptionally seriously and with great thought," Krekorian said. "We are going to do this in a way that give us the highest level of confidence ... and we have a due diligence obligation to look at this and we are not taking action to reduce any revenues."

The business tax now brings in more than \$425 million in

revenue and Greif said he believes studies done by USC Professor Charles Swenson and others show the city will collect more revenue if the tax is phased out because of increased economic activity.

Under their proposal, the tax would be phased out by reducing the number of tax categories from nine to three for five years and then from three to two, with the eventual elimination after the 10th year.

There would be a benchmark check after the third year to see if revenues were down, neutral or up.

"At the worst, you can cease these phased reductions after the third year," Greif said.