



Office of the Los Angeles City Attorney
Hydee Feldstein Soto

REPORT NO. **R 25 - 0044**
FEB 12 2025

REPORT RE:

**REVISED DRAFT ORDINANCE ADDING SECTION 21.25.1 TO ARTICLE 1 OF
CHAPTER II OF THE LOS ANGELES MUNICIPAL CODE TO PROVIDE TAX RELIEF
TO LOCAL BUSINESSES IMPACTED BY THE JANUARY 2025 WILDFIRES**

The Honorable City Council
of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, California 90012

Council File No. 25-0006-S55

Honorable Members:

On January 7, 2025, the Mayor issued a Declaration of Local Emergency due to life-threatening, destructive, and widespread windstorm-fueled wildfires within the City of Los Angeles (City). As a result of these wildfires, many businesses were destroyed or significantly interrupted. To alleviate the profound financial hardship on the impacted businesses, on January 24, 2025, this City Council adopted a motion (Council File No. 25-0006-S55; Park-Hutt, Lee, McOsler, Padilla, Price), which requested that this Office, in conjunction with the Office of Finance (Finance), transmit a draft urgency ordinance to provide relief from the payment of gross receipts tax for those businesses destroyed by the wildfires, or those impacted for 60 or more consecutive days, with eligibility to be determined by Finance on a case-by-case basis.

On January 29, 2025, this Office prepared and transmitted a draft urgency ordinance, approved as to form and legality, which added Section 21.25.1 to Article 1 of Chapter II of the Los Angeles Municipal Code (LAMC) to provide tax relief to these

businesses. Under the draft ordinance, a business¹ that was destroyed or interrupted for 60 days or more by the wildfires will be deemed to have terminated as of December 31, 2024, subject to the approval of the Director of Finance based upon a written application that includes proof of such destruction or interruption. The terminated business is relieved of any obligation to remit its business tax liability for the 2025 tax year. Once the taxpayer resumes the terminated business at the location destroyed or interrupted, the resumption will be treated as any other newly established business subject to the City's traditional business tax regime from the date of resumption. As instructed, the draft ordinance provided similar tax relief that the City provided to businesses impacted by the 1994 Northridge Earthquake.

On February 6, 2025, the Ad Hoc Committee for LA Recovery (Recovery Committee) considered the draft ordinance, upon referral from this City Council. To ensure the relief is also extended to those businesses that provided services to the residents whose homes were destroyed by the wildfires, the Recovery Committee moved to amend the draft ordinance as follows: (1) to replace the term "interrupted" with the clause "experienced severe economic hardship," with the addition that Finance would issue rules and guidelines to effectuate that clause; (2) to clarify that once a taxpayer resumes a deemed terminated business at the location destroyed or having experienced severe economic hardship, the City's business tax regime will apply (i) as of the date of resumption, and (ii) in the manner the business tax is measured with respect to such resumed business; and (3) to require businesses seeking business tax relief under this ordinance to submit a request to the Director of Finance on or before April 14, 2025.

On February 7, 2025, the Budget, Finance, & Innovation Committee (BFI) considered the draft ordinance following its review by the Recovery Committee. After due consideration, BFI moved to adopt the amendments proposed by the Recovery Committee, except to amend the threshold of experiencing severe economic hardship from 60 consecutive days to 45 cumulative days as measured between January 7, 2025 through February 28, 2025.

On February 11, 2025, this Council adopted BFI's report and requested that our Office transmit a revised urgency ordinance to reflect the recommendations adopted by the Recovery Committee, as amended by BFI. This Office has prepared and now transmits for your consideration the revised draft ordinance, approved as to form and legality, as amended by the Recovery Committee and further amended by BFI, which reduces the threshold for economic disruption to 45 cumulative days.

¹ Under LAMC Section 21.06(a), a taxpayer "shall be deemed to be engaged in a separate business at each branch establishment or location at which the person engages in business."

Council Rule 38 Referral

A copy of the revised draft ordinance was sent, pursuant to Council Rule 38, to the Office of Finance. Their comments have been incorporated.

If you have any questions regarding this matter, please contact Deputy City Attorney Daniel Whitley at (213) 978-7700. A member of this Office will be available when you consider this matter to answer questions you may have.

Sincerely,

HYDEE FELDSTEIN SOTO, City Attorney

By



MICHAEL J. DUNDAS
Senior Assistant City Attorney

MJD:DMW:pj
Transmittals