

BUDGET & FINANCE

MOTION

Los Angeles Municipal Code section 21.7 establishes the Transient Occupancy Tax (TOT), a 14% tax on the rent charged to transient guests in hotels, motels, and short-term rentals. In Fiscal Year 2022-2023, the TOT is projected to raise \$263 million to pay for vital city services, and in recent years the TOT has represented as much as 5% of General Fund revenue.

Los Angeles Municipal Code section 21.7.2 contains a provision that could allow an unscrupulous hotel operator to engage in tax avoidance and interfere with the City's ability to collect the TOT by finding or creating a "secondary operator" that agrees to collect the tax on behalf of the hotel operator. If the "secondary operator" does not have any assets and fails to collect the tax, the City has no reasonable way to enforce its transient occupancy tax obligations.

I THEREFORE MOVE that the City Attorney prepare and present an ordinance to amend Los Angeles Municipal Code section 21.7.2, subsection (f), so as to delete the following language: *The principal operator may satisfy any potential liability it may have for taxes owed by a secondary operator by entering into a legally binding agreement with that secondary operator to remit the portion of the tax owed by the secondary operator directly to the City. Upon request, the principal operator shall provide the Director of Finance with copies of any such agreements.*

PRESENTED BY:



PAUL KREKORIAN
Councilmember, 2nd District

SECONDED BY:



ORIGINAL



SEP 16 2022