

October 8, 2007

Honorable Mayor and Members of
the Hermosa Beach City Council

City Council Meeting of
October 23, 2007

**APPROVAL OF ORDINANCE MAKING ADMINISTRATIVE AMENDMENTS TO THE
BUSINESS TAX CHAPTER OF THE MUNICIPAL CODE**

RECOMMENDATION:

It is recommended that the City Council adopt Ordinance 07- _____ making administrative amendments to the Business License Chapter of the Municipal Code.

BACKGROUND:

Several sections of the business license chapter of the municipal code need to be updated for various reasons as described below. None of the proposed changes will increase any tax or impose a new tax. The City Attorney drafted the attached ordinance to address these sections.

ANALYSIS:

The proposed changes to the business license chapter are as follows:

Section 5.04.220 currently provides for a license fee for businesses not specified in the chapter. The proposed amendment would clarify that the applicable tax is the one imposed on a listed business determined by the Tax Administrator to be most comparable to the business not specified in the chapter.

Section 5.04.230 currently includes a detailed listing of taxes to which an annual CPI adjustment applies. What these taxes have in common is that they are not based on gross receipts; however, some of the section references are obsolete. The proposed amendment simplifies this section by providing that CPI adjustments apply to all those businesses not paying based on gross receipts, which is functionally the same as the current section.

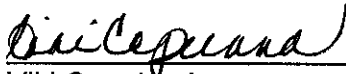
Section 5.04.235 adds a new provision providing for proration of taxes in proportion to business conducted within the city. The taxpayer is entitled to apportionment for taxable events occurring outside the city.

The following sections are being repealed:

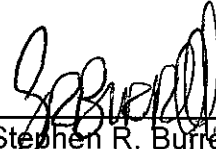
- Section 5.04.200. B.1 Classification A, Group 19a refers to public auctions, which is not a permitted use in the zoning ordinance.
- Section 5.04.200. B.2 Classification B, Group 1 refers to billboards, which are prohibited by Section 17.50.080 of the zoning ordinance.

- Section 5.04.200.B2 Classification B, Groups 2 and 3 refers to flags, banners and advertising in the public right of way, which are either not allowed or are governed by the policy on banners adopted by the City Council.
- Section 5.04.200.B3 Classification C, Group 3 paragraph (d) regarding penalties for owner-builders subject to the business license tax is unnecessary because violations are covered by a later section, Section 5.04.340
- Section 5.04.210 refers to oil wells, which are not a permitted use in the zoning ordinance.

Respectfully submitted,



Viki Copeland
Finance Director



Stephen R. Burrell
City Manager

ORDINANCE NO. 07-

**AN ORDINANCE OF THE CITY OF HERMOSA
BEACH MAKING ADMINISTRATIVE
AMENDMENTS TO THE BUSINESS TAX
ORDINANCE AND AMENDING THE HERMOSA
BEACH MUNICIPAL CODE**

The City Council of the City of Hermosa Beach does hereby ordain as follows:

Section 1. Section 5.04.220 of Title 5, Chapter 5.04 of the Hermosa Beach Municipal Code is amended to read as follows:

5.04.220 Businesses not specified in this chapter.

Every business not specified in this chapter shall pay an annual license tax equal to the tax payable by the business category most comparable as determined by the license collector, plus annual cost of living adjustments as provided for by Section 5.04.230.

Section 2. Section 5.04.230 of Title 5, Chapter 5.04 of the Hermosa Beach Municipal Code is amended to read as follows:

5.04.230 Annual cost of living adjustment of taxes.

Taxes imposed in this Title on a basis other than a percentage of gross receipts shall be adjusted on an annual basis using the percentage increase in the cost of living as calculated by the United States Bureau of Statistics for the Los Angeles-Anaheim-Riverside Standard Metropolitan Statistical Area.

Section 3. Title 5, Chapter 5.04 of the Hermosa Beach Municipal Code is amended by adding thereto a new Section 5.04.235 to read as follows:

5.04.235 Apportionment of Taxes.

When, by reason of the provisions of the Constitution of the United States or the Constitution of California, the business tax imposed by this Chapter cannot be enforced without there being an apportionment

according to the amount of business done in the City, the Tax Administrator shall promulgate such rules and regulations for the apportionment of the tax as are necessary or desirable to overcome the constitutional objections. Nothing in this Chapter shall be construed as requiring the payment of any tax for engaging in a business or the doing of an act when such payment would constitute an unlawful burden upon or an unlawful interference with interstate or foreign commerce, or which payment would be in violation of the Constitution of the United States or the Constitution of the State of California.

Section 4. The following provisions of Title 5, Chapter 5.04 are repealed:

- a) Section 5.04.200.B.1. Classification A, Group 19a
- b) Section 5.04.200.B.2. Classification B, Group 1
- c) Section 5.04.200.B.2. Classification B, Group 2
- d) Section 5.04.200.B.2. Classification B, Group 3
- e) Section 5.04.200.B.3. Classification C, Group 3, para. (d)

Section 5. Section 5.04.210 of Title 5, Chapter 5.04 of the Hermosa Beach Municipal Code is hereby repealed.

Section 6. The City Council finds and determines that none of the above amendments results in the adoption of a new tax or an increase to an existing tax.

PASSED, APPROVED AND ADOPTED this ___ day of _____, 2007.

Mayor

ATTEST:

APPROVED AS TO FORM:

City Clerk

City Attorney

Date: _____