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Tax amnesty for home businesses proposed

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Facing an outcry from home-based business owners, Councilwoman Laura Chick will introduce into City Council today a broader tax amnesty proposal that will shelter home businesses from taxes, interest and penalties.

Under the Home Occupations Ordinance, which passed in November, home-based businesses are required to register with the city.

But any business owner who registers becomes liable for three years' back taxes, interest and penalties, according to the current city tax code. An amnesty program, which expires June 5, waives the penalties but not the back taxes and interest.

Chick's proposal would extend the amnesty program three months and waive the back taxes and interest.

Pat Kramer, owner of Writer For Hire in Sunland, is dismayed at the added costs her home-based business has to bear.

"It's difficult for anybody who works out of their home to come up with all kinds of money for taxes and everything else. Every cent counts," she said. "It makes the city the enemy of the small business."

Chick concurred, saying in a statement that the retroactive taxes are "an example of the death of common sense in government."

"Home-based businesses faced a Catch-22 situation. They were always required to pay a business license tax, yet they weren't legal in

Los Angeles. Now, they were asked to come forward and pay a big bill. This didn't make sense."

Last fall, Los Angeles joined 77 other cities in Los Angeles County that have home-based business ordinances. The county encompasses 88 cities.

The ordinance was passed to legalize home-based businesses because the city's zoning laws didn't allow them to be operated in a residence. A spokeswoman for Chick said the ordinance wasn't created just to bring in more tax dollars.

It sought to approve "quiet" and "nondisruptive" businesses to preserve the sanctity of residential neighborhoods. Prohibited

See HOME / Page 2

Plan offers tax relief

HOME / From Page 1

home-based businesses include automotive repair shops, restaurants, and tattoo and body-piercing parlors.

The councilwoman, who spearheaded the Home Occupations Ordinance, is seeking to extend the tax amnesty deadline from June 5 to Sept. 5. If approved next week, businesses who register by the new deadline won't have to pay back taxes, interest and penalties.

In addition, those who already have paid their back taxes and interest in the current amnesty

period will get their money back.

Under current tax code, businesses are assessed by type, with each group taxed at a different rate. The city has 40 categories for businesses, including miscellaneous services, multimedia businesses, professions and occupations, retail sales, and wholesale sales.

While there are minimum taxes ranging from \$75 to \$145 a year, the rate comes to less than 1 percent of gross receipts in all categories.

About 627 home-based businesses have already come forward, said City Clerk Mike Carey. He estimated there are at least 20,000

home-based businesses in the city.

But home business advocates warn that adding to the financial burden of these fledgling firms will hurt entrepreneurship, and ultimately, the city's future.

"What is their problem? It's regressive thinking," said Rudy Lewis, president of the National Association of Home Based Businesses in Baltimore.

"They're killing entrepreneurship while other areas are unleashing theirs," he said. "They're committing 21st century suicide. . . . Where do you think Bill Gates came from? He came from (a) home (business)."