

Letter to the Editor...



Do Apartment Owners Need a Business License?

Dear AOA:

I am writing to you regarding the business tax that will be imposed on apartment owners in the Los Angeles area.

As you know, apartment owners are already affected by the fact that only 3% is allowed on increases [4% as of July 1, 2006]. In addition, it is unfair to impose a new tax on existing owners. If there is a new law or an existing law not previously enforced, it should apply to new buyers and require that real estate brokers properly inform prospective buyers of that law.

The limit of three units for tax exception is also unfair because location, as you know, makes a big difference. The owner of ten units in a high rent area will pay as much as the owner of ten units in a low rent area.

Please let me know if the association is doing anything on this matter. I have written letters to the Mayor, the Governor and Councilman Rosendahl. No response yet from any of them.

An article in the next issue of the magazine should address this matter and give apartment owners the tools to fight it. Winning the matter will give the association a big feather on the head.

Sincerely yours,

Julio Fassino

Editor's Note: When a property is purchased, where rents are collected for four units or more, the owner must obtain a Business License for that property right away. (If you rent a house and collect rent from four separate tenants, this, too, is considered "4 units" in the city's eyes.) A "business", (apartment ownership) is responsible for payment of business tax from the date they started doing business (purchased the building). This is not a new law.

Renting accommodation to the public to provide shelter or space is a "business" activity which requires a Business License. The requirement for a business tax certificate and payment of business tax is a uniform requirement for nearly all cities in California. It is the apartment owner's responsibility to determine the city's requirements for these taxes and apply for a Business License.

Each city issues its own Business License and assesses its own tax. The business tax certificate is valid one year and must be renewed for each year that you own the property.

If you have never filed for a Business License as an apartment owner, the City will eventually get around to discovering this and will bill you late payment penalties in addition to the tax obligation. It is AOA's recommendation that you obtain your Business License right away, if you have not already done so. Applications may be filed in person at any Business License office of the Treasurer and Tax Collector.

P.S. Failure to obtain a Business License is a misdemeanor violation punishable by a fine or imprisonment or both.