Communication from Public

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Comments for Public Posting:	See attached

LOS ANGELES AREA
CHAMBER OF COMMERCE

September 14, 2026

Honorable Members of the City Council
200 North Spring Street
Los Angeles, California 90012

Re: Comments on the Office of Finance Report of April 13, 2026, Regarding Motion (25-1474) – Raising the Small Business Exemption Threshold

Dear Honorable Members:

On behalf of the Los Angeles Area Chamber of Commerce and the many small and mid-sized businesses we represent across the City, we write to offer our comments on the Office of Finance's April 13, 2026 report responding to Motion (25-1474), which examined raising the threshold for the City's Small Business Exemption to the Business Tax.

The Chamber strongly supports raising the exemption threshold above its current level of $100,000, which has not been adjusted since 2006. We urge the Council to adopt, at minimum, a threshold of $500,000, and offer the following observations drawn from the Office of Finance's own analysis.

A $500,000 threshold captures the great majority of the relief – 77 percent of the businesses reachable at $1 million – while asking the City to absorb just over half the fiscal impact. It is the threshold at which relief for genuinely small businesses is maximized relative to cost to the General Fund.

The report notes that more than half of all business tax filers – roughly 91,000 businesses reporting under $300,000 in gross receipts – together paid only $32 million in tax, an average of less than $350 per business. For these businesses, the administrative burden of annual filing, recordkeeping, and audit exposure is disproportionate to the revenue the City collects from them. Raising the threshold would allow the Office of Finance to redirect its limited enforcement and processing resources toward higher-value compliance work.

We note that a portion of the roughly $7 million currently collected from businesses reporting under $100,000 in receipts appears attributable not to legitimate tax liability but to late or non-filers identified through the Office of Finance's Enhanced Discovery program. We encourage the Council and the Office of Finance to continue and, where possible, expand these discovery efforts in parallel with any threshold increase, so that genuine relief for small businesses is not conflated with, or used to excuse, continued non-compliance by others.

Should the Council have concerns about absorbing the full $44 million impact of a $500,000 threshold in a single fiscal year, the City has a workable precedent: the 2004 increase from $5,000 to $100,000 was phased in over two years. We would support a similar phase-in – for example, an initial increase to $300,000 followed by a second step to $500,000 – as a reasonable path to the same destination without a single-year revenue shock.

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The Chamber appreciates the Office of Finance's thorough and balanced report, and we look forward to working with the Council and the Office of Finance as this proposal moves forward. Please do not hesitate to contact our office with any questions.

Respectfully submitted,



Carlos Singer
Senior Vice President & Chief Policy Officer

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