

How Are Taxes Calculated?

The Business Tax is based upon either Gross Receipts or Operating Costs depending on the nature of business activities. The majority of businesses are taxed on the basis of Gross Receipts. Only production industries, corporate headquarters and showrooms are taxed on the basis of Operating Costs.

There are three tax rates which differ based upon the type of business conducted. Businesses are classified into seven groups for the purpose of determining the applicable tax rates since some businesses are taxed on Gross Receipts while others are taxed on Operating Costs.

Group Number	Tax Rate	Minimum Tax
Group I	Taxed at a rate of \$0.48 per \$1,000 of Gross Receipts.	\$ 24.00
Group II	Taxed at a rate of \$0.48 per \$1,000 of Operating Costs	\$ 24.00
Group III	Taxed at a rate of \$0.96 per \$1,000 of Gross Receipts.	\$ 48.00
Group IV	Taxed at a rate of \$1.44 per \$1,000 of Operating Costs.	\$ 72.00
Group V	Taxed at a rate of \$1.44 per \$1,000 of Gross Receipts.	\$ 72.00
Group VI	Taxed at a rate of \$1.44 per \$1,000 of Gross Receipts.	\$ 72.00
Group VII	Taxed at a rate of \$0.96 per \$1,000 of Operating Costs.	\$ 48.00

To find out which business classification group your business falls into, refer to the Business Classification in the Frequently Asked Questions on the Revenue Management Division website.

GROSS RECEIPTS are defined as total amounts received or receivable in the course of business in a calendar year from sales of merchandise and the performance of acts or services for which a charge is made or credit is allowed.

INCLUDES: Cash Receipts
Credits Allowed
Property Received

EXCLUDES: Bad Debts (if previously included in Gross Receipts)
Cash Discounts
Constitutionally Exempt Items (including:)
 Alcoholic Beverage Sales
 Sales of goods shipped to locations outside of the State of California
Dividends
Gasoline Taxes
Hotel Marketing Taxes
Interest on Investments
Jobber Discounts
Occasional Sales of Property and Equipment
Passive Income
Real Property Transfer Taxes
Refundable Deposits
Sales Returns
Sales Taxes
Trade-in Credits (if subsequent sales are included)
Transient Occupancy Taxes
Use Taxes

and amounts collected for and paid to another party by persons acting as agents, brokers and trustees including general contractors payments to subcontractors.

OPERATING COSTS are defined as all of the expenses incurred in the operation of a business within the City of West Hollywood. Operating Costs include the following:

Contracted Services	Mortgage Payments
Employee Benefits	Rent
Equipment	Utilities
Lease Payments	Wages