

# Collect City Debts Now

## SEIU 721 Members Recommendations to Collect Millions

THE SHEETS FACTS

**H**undreds of millions are owed to the city in various business taxes. This means city vendors including parking lot operators, telecommunications companies, health care providers and more are robbing residents of vital public services by cheating on taxes. The top 50 debtors owe \$123 million, a quarter of the city's deficit. Parking lot operators alone owe \$92 million.

We need stronger regulations to collect now and in the future from contractors doing business with tax dollars.

**IMMEDIATE STEPS:** Collect taxes, business taxes, interest and penalties owed to the city.

**ACTION:** The City Attorney's Office is currently pursuing civil action against Prestige Parking to recover additional unpaid taxes.

The public and city council members must also demand this money is paid.

**NEXT STEPS: Recommendations for Improving Billing and Collections:**

**1. Create a central debtor database** so that any department can determine if a potential vendor is also a debtor. This is based on recommendations from the Audit of Billing and Collections released by the Controller's office June 11, 2007.

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### **Public Service Enemy No. 1: Prestige Parking**

**MILLIONS OWED:** Prestige Parking owes the City \$72.8 million in Parking Occupancy Tax and Business Tax, including penalties and interest on unpaid taxes.

**YEARS OF BACK TAXES:** It owes the City back taxes since 2005. There is strong evidence that Prestige has not paid taxes for years prior to 2005 as well.

**JAIL TIME:** In August 2009 Prestige's Sohrab Sahab was sentenced to 525 days in jail and 10 years probation for multiple convictions of failing to file parking occupancy tax forms and to pay the parking tax to the city.

**MULTIPLE CONVICTIONS:** Also in August 2009 Prestige and Sohrab Sahab were convicted of 135 counts failing to remit parking occupancy taxes to the City; 149 counts of failing to file parking occupancy tax forms; and 11 counts of operating parking lots in the City without a permit.

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# THE SHEETS FACT SHEET

**2. Expand the responsible contractor ordinance** so that entities with significant outstanding debt cannot contract or rent from the City. For example, Prestige is also being sued by the City Attorney's office for failing to pay rent on parking lots owned by the Community Redevelopment Agency.

**3. Link the ability to obtain City licenses and permits to paying off old City debts.**

**4. Do not permit City officials to take campaign contributions** from the entities with significant outstanding debt.

**5. Cross check existing lists** compiled by other public agencies such as the Department of Water and Power and the State Board of Equalization for businesses that have not registered for business tax, parking occupancy tax or other taxes, fees, permits, etc.

**6. Levy the parking occupancy tax** on parking lot owners, not parking lot operators. Lot owners' businesses are less transient and easier to collect from.

**ACTION:** The City Council must implement these recommendations for the future to ensure honesty from vendors entrusted with tax dollars.

## Public Service Enemy No. 1: Prestige Parking

### POLITICAL CONNECTIONS:

Prestige Parking gave the maximum allowable contribution to City Council member Jan Perry in both the 2001 and 2009 election cycles and Council member Jose Huizar in the 2005 election cycle. Jack Weiss received \$1,500 from Prestige for his 2009 campaign for city attorney.

### Why is it so difficult to collect Parking Occupancy Tax?

Los Angeles charges a 10 percent tax on all fees charged by commercial parking lots in the City of Los Angeles. This fee is assessed on the parking lot operators not the owners of commercial parking lots, but many parking lot operators:

- run cash business with no paper trail.
- do not register their parking lots with the City.



Sources: Los Angeles City, Office of Finance, "Top Debtor List," March 9, 2010.

Los Angeles City, Office of City Attorney, "Parking lot owner sentenced to 525 days jail for cheating City out of taxes," August 21, 2009.

Los Angeles Business Journal, "Some Targeted 'Deadbeats' Dispute Debts," September 14, 2009.

Los Angeles Times. "City Win \$230,000 in suit against parking firm," April 25, 2007.

Los Angeles City, Ethics Commission. Search of independent expenditures. Accessed March 8, 2010. Website: [http://ethics.lacity.org/disclosure/campaign/search/public\\_search\\_results.cfm](http://ethics.lacity.org/disclosure/campaign/search/public_search_results.cfm).

Los Angeles City, Office of City Controller, "Audit of Citywide Billing and Collections Practices," June 11, 2007

Los Angeles City, Office of City Controller, "Status of Recommendations – Citywide Billing and Collection Program Audit," May 29, 2009.