



CITY OF SOUTH PASADENA

FINANCE DEPARTMENT

1414 MISSION, SOUTH PASADENA, CA 91030

BUSINESS LICENSE FAQ

The City is currently in the process of undertaking a comprehensive review of the Business License Ordinance to clarify existing ambiguities, streamline the application process and the City's administration of business licenses, and simplify the existing rate structures. To this end, the City has contracted with HdL Software to provide assistance to the Business Community.

The City and the California State Franchise Tax Board (FTB) have a reciprocal Agreement authorizing the exchange of business data. The City provides the FTB with our business license database, and the FTB sends the City a list of entities that have filed business tax returns. By matching the FTB data to our existing records we now have an additional, effective tool to identify possible unregistered businesses within the City. This information will inform our planned prospective revisions to our Business License Ordinance.

The City of South Pasadena previously sent letters to residents who were identified as part of the FTB disclosures and who do not already have business licenses with the City. The records we received from the FTB are a result of the taxpayer's submission of a Schedule C or 1099 as part of your state tax return. If after reading this notice you still believe you received the letter in error because you did not submit either a Schedule C or 1099 with your state tax return you should work with the Franchise Tax Board to correct their reporting.

Most cities require business license for anyone operating a business, including home based businesses.

Are you claiming deductions on your tax returns for business expenses?

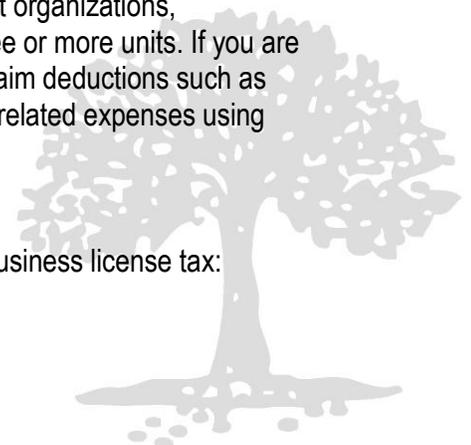
If you are claiming deductions such as home space for office use, office supplies used in your home, or other business related expenses using your home address you are subject to the business license tax.

I am not operating a business. What does the City of South Pasadena consider to be a business and why do they believe I may be operating as one?

Most activities conducted within the City with continuing and regular basis are considered engaging in business and subject to business tax. All persons or companies conducting business within the City limits of South Pasadena are required to obtain a city business license. This includes but is not limited to retailers, wholesalers, manufacturers, service providers, professionals, non-profit organizations, independent contractors, home businesses and residential landlords renting three or more units. If you are a 1099 employee but do not conduct any business within the City AND do not claim deductions such as home space for office use, office supplies used in your home, or other business related expenses using your home address, you are not required to obtain a City Business License.

Are certain types of businesses exempt from obtaining a license?

Yes, below are the people and/or businesses which are exempt from paying a business license tax:



- Non-profit institution, corporation, organization or association organized and hereby apply for an exemption from payment of business license tax. This exemption does not apply to promoters employed by non-profit institutions, corporations, organizations or association.
- Honorably discharged soldier, sailor or marine of the United States selling goods, wares, or merchandise made by him or her; and who exhibits his or her authenticated discharge papers and an application approved by the license collector of the city
- An employee or direct agent of a licensee conducting the business of such licensee
- A domestic servant, dressmaker, or music teacher doing business at your home, not employing helpers, nor from persons transporting or operating, without compensation, vehicles from points within the city to points outside the city for repairs or servicing.

You may have had a business in the past which has since closed.

If you had a business or operated a business from your home but the business has since closed, you are not required to obtain a business license. Please contact HdL Software to update your information at 626-403-7258 or visit <https://southpasadena.hdlgov.com/>

I am a real estate agent and I am not operating a business from my home.

If you are employed by a brokerage firm and receive a W-2 you are not required to obtain a business license. If you are a 1099 employee and are claiming deductions such as home space for office use, office supplies used in your home, or other business related expenses using your home address you are subject to the business license tax. If you are a 1099 employee who operates from a satellite office and only use your home as a mailing address, you are not required to obtain a business license.

You may receive payments or earnings as a freelancer:

If you are a freelance artist, consultant etc. who files or has filed a 1099 you are considered a home based business and are required to have a business license within the City.

You may own rental units:

If you own 3 or more rental units in South Pasadena you are required to obtain a business license. If you have a rental property outside the City and claim deductions such as home space for office use, office supplies used in your home, or other business related expenses using your home address you are considered a business and are required to obtain a license.

I do minor consulting on a part-time basis. Do I have to get a business license?

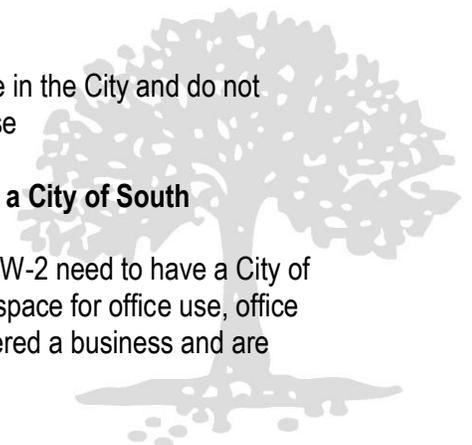
Yes, businesses both large and small require a City Business License to be in compliance with the municipal code. If consulting work is performed as an independent contractor within the City limits you are required to obtain a business license. If you do not perform consulting work within the city but are claiming deductions such as home space for office use, office supplies used in your home, or other business related expenses within the City, you are considered a business and are required to obtain a business license.

I have a P.O. Box in the City where I receive my business mail.

If you have a P.O. Box within City limits and receive business mail but do not live in the City and do not conduct any business in the City you are not required to obtain a business license

I receive a 1099 form instead of a W-2 from my work. Am I required to have a City of South Pasadena business license?

Yes, those that work as an independent contractor and are paid by 1099 versus W-2 need to have a City of South Pasadena business license if you are claiming deductions such as home space for office use, office supplies used in your home, or other business related expenses you are considered a business and are



required to obtain a business license, however if you are a 1099 employee who does not conduct business within the City and does not claim deductions from your home space for office use, office supplies used in your home, or other business related expenses, you are not required to obtain a license.

My business entity (Corporation, LLC, Partnership, etc.) is entirely passive and is just paying a minimum tax to the Secretary of State. Is it required to get a license?

Yes, if your business is registered active with the Secretary of State and reporting on a business return with the FTB and IRS, it will need a license. By maintaining a business entity within the City, whether it is transacting public business or not, is considered operating a business under the municipal code.

How do I file a business license?

Application can be submitted online. Please visit <https://southpasadena.hdlgov.com/>

When do I receive the renewal?

Renewals are sent annually based on your business license application date. Renewals are sent by email and post mail. It is the responsibility of the business owner to ensure they have a business license whether or not they have received a renewal.

When should I apply for a business license?

An application must be submitted and paid before starting business operations.

How is my business license fee calculated?

Business license taxes are based primarily on the type of business; there may be additional charges based on the number of employees, and may also include the City's Business Improvement Tax. The Business Improvement Tax established in 1977 can be used for investment in the promotion of public events that take place on or in public spaces, coordination of the holiday decoration, and engagement in the general promotion of retail trade activities in the 91030 zip code. Please refer to the Master Fee Schedule for rate information.

