



**Date:** June 19, 2012

**To:** Honorable Mayor Foster and Members of the City Council

**From:** Gary DeLong, Councilmember, 3<sup>rd</sup> District *GD*  
Dr. Suja Lowenthal, Vice Mayor, 2<sup>nd</sup> District *SL*  
Dr. Robert Garcia, Councilmember, 1<sup>st</sup> District *RG*

**Subject:** **Eliminating Business License Taxes for Real Estate Agents**

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In 2002 the City of Long Beach began directly charging real estate agents their business license fees. The current cost is \$197.46 annually. Prior to this time, the business license fees were charged to an agent's broker.

Few cities in California directly charge real estate agents their business license fees. Over 90% of California cities charge the real estate broker.

In order to continue to improve the City of Long Beach's "business friendly" reputation, it would appear to be appropriate to modify the City's current approach to be more in line with California standards.

**Discussion**

1. The housing market bust, which was the epicenter of the most recent recession, has hit the real estate business especially hard. In the City of Long Beach in the past five years, the number of homes sold has declined almost 40 percent from approximately 1500 in Q1 of 2006, to 900 in Q3 of 2011. Further, in that same period, the average sale price for Long Beach homes has fallen significantly as well
2. A broker exercises control over real estate agents in the same manner as an employer would an employee. For example, brokers prohibit real estate agents from receiving any payment of services from their clients directly; instead, the money goes to the broker who pays the agent.
3. The official policy of the State of California is that real estate agents are employees to their broker, and requires brokers to carry Worker's Compensation on all their agents.
4. By charging brokers rather than agents, significantly less City time and staff resources will go into attempting to enforce business license taxes on every agent. Instead, only one bill from the City will be sent to the broker, facilitating the taxation process.

**Recommendation**

Request the City Manager to determine the feasibility of eliminating individual business license fees for real estate agents in the City of Long

June 19, 2012

Page 2

Beach and replacing this fee with a reduced “per employee” fee to the broker, and report back to the City Council within the next 30 days.

**Fiscal Impact**

There is no significant fiscal impact associated with this recommendation.