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Outranks  
'Umberto D.'

THE NUMBERS GUY | B1



Hannah  
Montana  
Vs. the 'Bots'

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# THE WALL STREET JOURNAL.

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FRIDAY, OCTOBER 5, 2007 - VOL. CCL NO. 81

\*\*\*\*\* \$1.50



# Beverly Hills and Surgeons Face Off Over Higher Taxes

By RHONDA L. RUNDLE  
*Beverly Hills, Calif.*

**A**S A PRACTITIONER of the "vertical facelift" and other aesthetic surgical procedures, Renato Calabria seems a perfect fit for this upscale enclave that is one of the world's plastic-surgery centers. Yet these days, Dr. Calabria says he is thinking about moving out of town.

The reason: taxes. Beverly Hills is squabbling with doctors who practice within the city's 5.7 square miles. After decades of collecting lower taxes from doctors than from other businesses, Beverly Hills is trying to take a bigger cut of the revenue generated from so-called surgery centers, many of which specialize in cosmetic surgery. The city contends the centers become a drain on resources relative to the taxes they pay.

That has angered Beverly Hills doctors who believe their businesses, along with luxury shops and hotels, are what give the city its sizzle. Many of the city's 2,400 doctors are plastic surgeons, cosmetic dermatologists and others who incorporate the city's lustrous name in their marketing. Their patients, they point out, are wealthy individuals who shell out thousands of dollars for procedures that aren't covered by insurance.

"We have a lot of affluent people flying from all over the world. They stay at the best hotels, they go to restaurants, they spend a lot of money," Dr. Calabria says. He says the city this year is demanding roughly 10 times what he had been paying in taxes—under \$2,000.

Beverly Hills' efforts to collect more revenue from its doc-  
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# Beverly Hills and Doctors Face Off Over Taxes

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tors show the pressures that even wealthy cities face to pay rising costs. The challenges are particularly acute in California. The seeds of the dispute were planted in the 1970s after the state passed Proposition 13, which lowered property taxes. In response, Beverly Hills and other cities instituted a business-license tax. Unlike other cities, Beverly Hills created a separate, lower tax for doctors, lawyers, accountants and other professionals.

The system worked until doctors' offices began to morph into much bigger businesses and add surgery centers. These vary widely, ranging from an operating room attached to the office of an individual surgeon—similar to Dr. Calabria's practice—to larger complexes of operating suites used by many doctors, and sometimes owned by corporations.

It is a problem, the city says, because over the past decade, the outpatient surgery centers have multiplied—not just for plastic surgery, but also for procedures such as eye surgeries and colonoscopies. The city says it doesn't have an exact count, but accrediting organizations' records show there are at least 50 surgery centers in Beverly Hills, including many perched above boutiques in the city's ultrahigh-rent "golden triangle" in the center of Beverly Hills. Real-estate developers say the area has among the highest density of surgery centers anywhere in the world.

Most of the surgery centers have been paying taxes under the city's lower rate, called "Professional Office," which bases the annual fee on the number and type of employees that are in an office, rather than a percentage of gross revenue. The city now says the surgery centers should be paying commercial property taxes,

## Nip 'n' Tuck

A look at a hypothetical surgery center in Beverly Hills with three professionals and two administrative employees, grossing \$1 million in annual receipts

Taxes due under two different classifications:

Professional Office (Class C)	Commercial Property (Class F)
3 professionals (\$1,236.02 each)	\$23.50 per \$1,000 of gross receipts
2 employees (\$248.31 each)	<b>Total:</b>
<b>Total:</b>	
\$4,204.68	\$23,500

which are tied to revenue.

"It's not a new tax. It is enforcing existing code," says Scott Miller, the city's chief financial officer. The big surgery centers are making millions of dollars, but are taxed at "a far-below market rate," he adds.

The city began cracking down on surgery centers two years ago after it determined that many surgery centers are more like hospitals without an overnight stay than they are like old-fashioned doctors offices.

Last year, surgery centers, as well as some physicians and surgical assistants, began receiving letters from the city or from MBIA MuniServices Co., a Fresno, Calif.-based firm that the city had hired.

"All of my clients initially received a letter saying that if they didn't conform and re-

mit the tax they could be subject to a criminal filing," says Arthur Barens, a Los Angeles lawyer who was retained by a group of surgeons. Beverly Hills initially demanded tax payments retroactive several years and substantially higher taxes going forward. The additional taxes typically amount to tens of thousands of dollars a year for a surgery center, Mr. Barens said.

Tamar Singer, a freelance anesthesiologist who received several of the letters, calls the city "rapacious" and has stopped working and shopping there. She says the city claimed she owed \$6,260 in business taxes for \$11,000 of professional fees that she earned from surgery centers over three years. The notices scared her, so she paid. Now she is fighting to get her money back.

The plan "puts a heavy strain on physicians and medicine, which is unfair because we bring lots of income to the city," says Gary Lask, a plastic surgeon and owner of the Summit Surgery Center, where E! Entertainment Television films its Dr. 90210 program, a reality show focusing on plastic surgery.

In recent months, after meeting with fierce resistance from the medical community and its lawyers, the city seems to have toned down its offensive. Mr. Miller says Beverly Hills doesn't want to be "punitive." What's at stake for the city is "probably less than 5%" of the city's \$33 million of business tax collected in the current fiscal year, he says. The total city budget in the same period is about \$420 million.

City officials say they hope a compromise resolution can be reached before the end of the year. After all, says Stephen P. Webb, a Beverly Hills attorney who was the city mayor until earlier this year: "Beverly Hills doesn't want residents to say 'We hate doctors here.'"