

# Agenda Report

**TO:** CITY COUNCIL **DATE:** March 3, 2008

**FROM:** CITY MANAGER

**SUBJECT:** ADOPT A RESOLUTION AUTHORIZING THE CITY MANAGER TO ENTER INTO AN AGREEMENT WITH THE FRANCHISE TAX BOARD FOR THE LOCAL GOVERNMENT TAX SHARING PROGRAM AND AN AGREEMENT FOR THE CITY BUSINESS TAX PROGRAM

## **RECOMMENDATION:**

It is recommended that the City Council adopt a resolution for the purpose of the City's participation in the Franchise Tax Board's Local Government Tax Sharing and City Business Tax Program and authorize the City Manager to enter into annual agreements with the Franchise Tax Board. The proposed agreements are exempt from competitive bidding pursuant to City Charter section 1002 [H], contracts with other government entities.

## **BACKGROUND:**

The Local Government Tax Sharing program allows the Franchise Tax Board to provide confidential income tax data to cities for business tax purposes. Revenue and Taxation Code Section 19551.1 authorizes the Franchise Tax Board to disclose limited tax information to participating cities. Cities that use this information find it very beneficial in the administration of their business license program.

In connection with the Local Government Tax Sharing Program, the Franchise Tax Board is requesting cities voluntarily participate in the City Business Tax program by supplying business license information to the Franchise Tax Board. This information will be used to identify self-employed individuals who are not

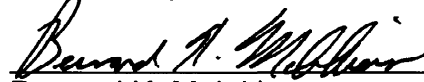
filing required income tax returns and as authorized by law, to aid in enforcement of child support services.

By participating in both programs, the Franchise Tax Board will match the City's Business License data against income tax data and only send unmatched records to the City. This information will help to increase local business license collection efforts and additionally, help the state in its efforts to collect taxes.


**FISCAL IMPACT:**

The cost to the City for participating in both programs is \$12,206. However, the City will be paid \$18,000 for providing data to the Franchise Tax Board, thus the City will net \$5,794 in addition to generating increased business license tax revenues.


Respectfully submitted,

  
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Bernard K. Melekian  
City Manager

Prepared by:

  
\_\_\_\_\_  
Vic Erganian  
City Treasurer

Approved by:

  
\_\_\_\_\_  
Stephen C. Stark  
Director of Finance

**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA  
APPROVING STATE AGREEMENTS WITH THE FRANCHISE TAX BOARD (“FTB”)  
TO SUBMIT AND OBTAIN BUSINESS LICENSE INFORMATION**

**WHEREAS**, the FTB, in a January 2008 public notice to “All Interested Cities”, requested any interested city to supply the FTB with information regarding business license information for the 2007 tax year since the law requiring cities to report business license information to the FTB (California Revenue and Taxation Code Section 19556) was repealed in 1999;

**WHEREAS**, the City was selected by the FTB and notified on January 30, 2008, of the opportunity to enter into a contract agreement in which the City provides the FTB with its business license information;

**WHEREAS**, Pursuant to Franchise Tax Board Agreement Number C0700193 between the City of Pasadena and the FTB, the City will provide business license information to the FTB. The City agrees to provide the FTB with tax information Record Format Specifications, which shall include, but not be limited to, business name, business address, identification number (Federal employer identification number or owner’s social security number) and type of business activity;

**WHEREAS**, Pursuant to FTB Agreement Number C0700192 between the City of Pasadena and the FTB, the FTB will provide limited tax information to cities for business tax purposes as authorized by Revenue and Taxation Code Section 19551.1;

**WHEREAS**, the information obtained under this agreement will be used solely for the purpose of administration of tax and other non-tax programs that FTB administers as set forth and provided by the California Revenue and Taxation Code Section 19504;

**WHEREAS**, participating cities would be paid through the 2007-08 California State Budget Appropriation for the costs associated with supplying the business license information to the State. The FTB has agreed to pay the City not to exceed \$18,000, for City Business Tax Data. Upon receipt to the Agreement executed by the City and receipt of a usable file and accompanying invoice, the FTB agrees to remit payment for the cost incurred in providing the data;

**WHEREAS**, with the Budget appropriation to fund the program expiring on June 30, 2008, the FTB has requested its receipt of the executed Agreement in March 2008.

**NOW, THEREFORE IT IS RESOLVED AND ORDERED** by the City Council that the City Manager be and is hereby authorized to enter into Agreement Number C0700192 and C0700193 with the State Franchise Tax Board to obtain and provide business license information to the FTB.

Adopted at the regular meeting of the City Council on the \_\_\_\_\_ day of \_\_\_\_\_, 2008, by the following vote:

AYES:


NOES:

ABSENT:

ABSTAIN:

\_\_\_\_\_  
Jane Rodriguez  
City Clerk

APPROVED AS TO FORM:

 2/19/08

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Nicholas G. Rodriguez  
Assistant City Attorney