

Agenda Report

TO: CITY COUNCIL

DATE: July 20, 1999

Attn: Legislative Committee

FROM: City Manager

**SUBJECT: SUPPORT OF ASSEMBLY BILL 385, TAXATION DISCLOSURE
(KNOX AND HERTZBERG)**

RECOMMENDATION

It is recommended that the City Council adopt the attached resolution and authorize the Mayor to send a letter to the appropriate officials **supporting** Assembly Bill 385, *Taxation Disclosure* (Knox and Hertzberg).

BACKGROUND

Existing state law prohibits the disclosure of any information concerning any taxpayer by the State Board of Equalization, the Franchise Tax Board, and the Director of Employment Development to any person, except as specifically authorized by statute. The law permits the disclosure of certain information by the Franchise Tax Board to the Commissioner of Internal Revenue of the United States, other California tax officials, the Multi-state Tax Commission, the tax officers of another state, and the tax officials of Mexico, under specified conditions.

Assembly Bill 385 would allow the Franchise Tax Board to share business tax information with charter cities that have a business license tax. As a result, this measure would allow charter cities to identify those businesses that are not complying with local business license tax ordinances. The measure also contains strict privacy standards for the use of information by local agencies.

Bill Impact and Status

Assembly Bill 385 was introduced and authored by Assembly Members Knox and Hertzberg on February 11, 1999. On June 1, 1999, the measure passed out of the Assembly with a 48-31 vote. The measure failed passage on July 7, 1999 in the Senate Revenue and Taxation Committee. Reconsideration was granted for the measure.

The League of California Cities and the City of Los Angeles support Assembly Bill 385.

FISCAL IMPACT

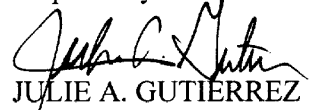
The City of Pasadena expects to receive \$3.2 million in fiscal year 2000 and \$3.3 million in fiscal year 2001 in Business License Tax Revenue, approximately 3% of the total General Fund.

If enacted into law, Assembly Bill 385 will potentially raise significant business license tax revenue. This measure will also lessen the ability of businesses to escape their obligations to pay taxes and thus increase tax compliance across the board.

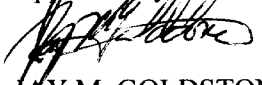
Respectfully submitted,


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