

Agenda Report

TO: CITY COUNCIL **DATE:** May 15, 2006

FROM: CITY MANAGER

SUBJECT: ADOPT A RESOLUTION AUTHORIZING THE CITY MANAGER TO ENTER INTO A STANDARD AGREEMENT (CO525270) WITH THE FRANCHISE TAX BOARD (FTB) FOR THE PURPOSE OF THE CITY'S PARTICIPATION IN THE FTB'S CITY BUSINESS TAX DATA PROGRAM

RECOMMENDATION

It is recommended that the City Council adopt the attached resolution for the purpose of the City's participation in the Franchise Tax Board (FTB) City Business Tax Data Program and authorize the City Manager to enter into an annual agreement with the FTB. The proposed agreement is exempt from competitive bidding pursuant to City Charter section 1002 [H], contracts with other governmental entities.

BACKGROUND

The State of California has faced sizable budget gaps over the past several years. One way in which the state is seeking to reduce this gap is through the pursuit of those owing income taxes, particularly self-employed individuals not filing returns.

Under prior law, California Revenue and Taxation Code Section 19556, cities were required to report business license information to the Franchise Tax Board (FTB). Unfortunately, the various types of data formats employed by the numerous types of business license systems employed by cities made it difficult for the state to use the data and the law was repealed in 1999.

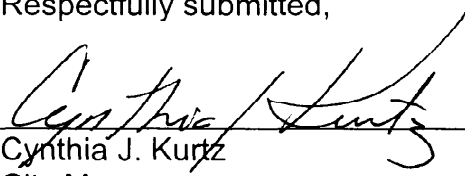
Since that time technology has advanced to where the data from various cities' systems can be more easily utilized by the state in its pursuit of those owing taxes. This past January the FTB requested that cities once again provide information regarding business license. By participating in the program the City of Pasadena would be helping the state in its efforts and would be compensated

a total of \$18,000 for each tax year of participation. Additionally, such participation may increase local business license collection efforts.

FISCAL IMPACT

Through participation in the FTB program the City would be paid \$18,000 for each tax year of data provided to the State. The cost to the City in capturing and reporting the data is \$9,000 per year. Sufficient funds are available in the current fiscal year budget to cover this expense. This cost includes providing the FTB with an electronic copy of the City's Business Tax Records in a format that conforms to the requirements specified by the FTB. The net value to Pasadena is \$9,000 which will be deposited into the City's General Fund.

Respectfully submitted,



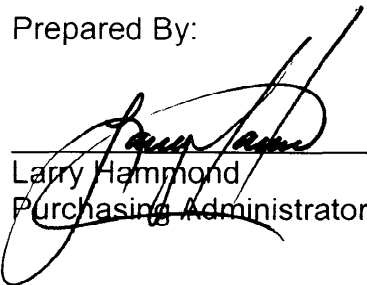
Cynthia J. Kurtz
City Manager

Approved by:



Steve Mermell
Acting Director of Finance

Prepared By:



Larry Hammond
Purchasing Administrator

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA
APPROVING A STATE AGREEMENT WITH THE FRANCHISE TAX BOARD
TO OBTAIN BUSINESS LICENSE INFORMATION**

WHEREAS, The FTB, in a January 2006 public notice to “All Interested Cities”, requested any interested city to supply the FTB with information regarding business license information for the 2005 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 Franchise Tax Board (FTB) and notified on April 21, 2006, 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 C0525270 between the City of Pasadena and California Franchise Tax Board (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 limited to: business name, business address, identification number (Federal employer identification number or owner’s social security number) and type of business activity;

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 2005-06 California State Budget Appropriation for the costs associated with supplying the business license information to the State. The FTB agrees to pay the City, not to exceed, \$18,000, for City Business Tax Data. Upon receipt of 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, 2006, the FTB has requested its receipt of the executed Agreement in May.

NOW, THEREFORE IT IS RESOLVED AND ORDERED by the City Council that the City Manager be and is hereby is authorized to enter into Agreement Number C0525270 with the State Franchise Tax Board (FTB) to provide business license information to the FTB.

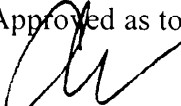
Adopted at the _____ meeting of the City Council on the _____ day of _____, 2006, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Approved as to form:  5/8/06

Nicholas G. Rodriguez

JANE L. RODRIGUEZ, City Clerk

Date