

# Agenda Report

August 09, 2021

**TO:** Honorable Mayor and City Council  
**THROUGH:** Finance Committee  
**FROM:** Director of Finance  
**SUBJECT:** **ADOPT A RESOLUTION AUTHORIZING THE CITY MANAGER TO ENTER INTO A STANDARD AGREEMENT (61596) WITH THE STATE OF CALIFORNIA 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:

1. Find that the proposed action is not a project subject to the California Environmental Quality Act (CEQA) pursuant to Section 21065 of CEQA and Sections 15060 (c)(2), 15060 (c)(3), and 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the project; and
2. 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 agreement annually in June for each tax year (2021, 2022, and 2023). The proposed agreement is exempt from competitive bidding pursuant to City Charter section 1002 [H], contract 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.

Effective January 2009 as a result of the enactment of Senate Bill 1146 (Cedillo) (Chapter 345, Statutes of 2008), FTB began exchanging data through a reciprocal agreement with cities at no charge to either party. The program helps identify self-employed individuals who are not reporting required income and paying local business taxes.

The following types of data is exchanged between cities and the FTB.

<b>Cities/Counties provide FTB</b>	<b>FTB provides Cities/Counties</b>
Business and owner's name	Taxpayer name
Business or residence address	Taxpayer address
FEIN or Social Security Number	Taxpayer FEIN or Social Security Number
North American Industry Classification Code	Entity type
Standard Industry Classification Code	Principal Business Activity (PBA) Code

Participating cities and counties provide local business license data to the FTB annually on June 30<sup>th</sup> via Secured Web Internet File Transfer (SWIFT). In exchange, FTB completes a data match for business activity in the respective city or county for the prior year and returns its findings to the City by December 31. This data exchange aids FTB in finding businesses who do not file income tax returns and cities and counties to identify unlicensed businesses within their jurisdiction.

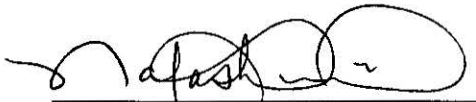
**FISCAL IMPACT:**

There is no fiscal impact as a result of this action and will not have any indirect or support cost requirements. The anticipated impact to other operational programs or capital projects as a result of this action will be none.

Respectfully submitted,

  
MATTHEW E. HAWKESWORTH  
Director of Finance

Prepared by:

  
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Approved by:

  
STEVE MERMELL  
City Manager

Attachments: (3)

Attachment A – Scope of Work  
Attachment B – Standard Agreement  
Attachment C – Resolution