

# Agenda Report

November 13, 2023

**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 (96228) 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 recommended action is exempt from the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines per Section 15061(b)(3), the "Common Sense" exemption that CEQA only applies to projects that may have an effect on the environment;
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
3. Authorize the City Manager to enter into an agreement for tax years 2023 through 2025, which includes data sharing through December 2026. The proposed agreement is exempt from competitive bidding pursuant to City Charter section 1002 [H], contract with other governmental entities.

## **BACKGROUND:**

In 2021, the City entered into an agreement similar to the agreement in the proposed action. The State of California has regularly faced sizable budget gaps and one way in which the state seeks 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

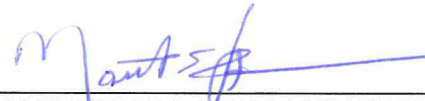
Participating cities and counties provide local business license data to the FTB annually via Secured Web Internet File Transfer (SWIFT). In exchange, FTB completes a data match for business activity in the respective city or county for the prior year and returns its findings to the City by December 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.

The City is required to extract and provide data to the FTB annually between April and July of each year of the agreement. The FTB agrees to match the data provided by the City with the FTB's data and provide the report to the City as annual extract in December of the following tax year. Both entities retain ownership of their respective data and will maintain the confidentiality of all pertinent taxpayer data as required by the Revenue and Taxation Code and Internal Revenue Code.

**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,



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MATTHEW E. HAWKESWORTH  
Director of Finance

Approved by:



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MIGUEL MÁRQUEZ  
City Manager

Attachments: (2)

Attachment A – Scope of Work

Attachment B – Standard Agreement