



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2604
www. CityofSacramento.org

Consent Report
April 3, 2007

**Honorable Mayor and
Members of the City Council**

**Title: Agreement: With the Franchise Tax Board for Provision of Business
Operations Tax Data**

Location/Council District: City-wide

Recommendation: Adopt a **Resolution** authorizing the City Manager, or authorized designee, to enter into a standard agreement with the Franchise Tax Board (FTB) for the purpose of the City's participation in the FTB's City Business Tax data program.

Contact: Brad Wasson, Revenue Manager, 808-5844
Walker Black, Senior Management Analyst, 808-5833

Presenters: Brad Wasson, Revenue Manager, 808-5844

Department: Finance

Division: Revenue

Organization No: 1121

Description/Analysis

Issue: The City was selected by the Franchise Tax Board (FTB) to enter into an agreement in which the City provides the FTB with its business operations tax data for the 2006 tax year in exchange for \$16,000 compensation.

Policy Considerations: The FTB agrees that the information furnished or secured pursuant to this agreement shall be used solely for the purpose of administration of tax and other non-tax programs that the FTB administers, as set forth and provided by California Revenue and Taxation Code Section 19504. The program is intended to help reduce the California tax gap by identifying self-employed individuals who are not filing required income tax returns.

Environmental Considerations: The request to authorize this agreement is not subject to the provisions of the California Environmental Quality Act (CEQA) under the general rule (Section 15061 (b)(3)) that CEQA applies only to projects that have the potential for causing a significant effect on the environment.

Commission/Committee Action: None

Rationale for Recommendation: While the City has been selected to participate in this program, participation is voluntary. However, in supplying business operations tax data to the FTB, the City will be helping to reduce the California tax gap, which will benefit all citizens of the State and ensure a more equitable application of the income tax laws and regulations.

Financial Considerations: Participation in this program will result in \$8,000 net revenue to the City's General Fund. While the FTB will compensate the City \$16,000 for the business tax data, MuniServices LLC, the City's contracted business tax auditing consultant, will format and provide the data in exchange for \$8,000 compensation.

Emerging Small Business Development (ESBD): No goods or services are being purchased as a result of this agreement.

Respectfully Submitted by: _____



Brad Wasson
Revenue Manager

Approved by: _____



Russell Fehr
Director of Finance

Recommendation Approved:



Ray Kerridge
City Manager

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Background:

Attachment 1

The law requiring cities to report business license data to the Franchise Tax Board (FTB) (California Revenue and Taxation Code Section 19556) was repealed in 1999. Therefore, in an October 2006 memorandum to California Cities, the FTB requested any interested city to supply the FTB with information regarding business license data for the 2006 tax year.

The FTB reported that previously supplied business license data was very effective in identifying self-employed individuals who were not filing required income tax returns. Because this information helped to reduce the California tax gap, the FTB is requesting this information be provided once again, but on a voluntary basis in exchange for compensation.

In return for supplying the FTB with the City's business operations tax data, the City will receive \$16,000 compensation. The actual formatting, preparation, and submission of the data will be done by the City's contracted business tax auditing consultant, MuniServices LLC, in exchange for \$8,000 compensation. As a result, \$8,000 in net revenue will be realized by the General Fund with minimal work impact to Finance and IT Department staff.

RESOLUTION NO.

Adopted by the Sacramento City Council

AGREEMENT: AUTHORIZING THE CITY OF SACRAMENTO TO CONTRACT WITH THE FRANCHISE TAX BOARD FOR PROVISION OF BUSINESS OPERATIONS TAX DATA

BACKGROUND

- A. The law requiring cities to report business license data to the Franchise Tax Board (FTB) (California Revenue and Taxation Code Section 19556) was repealed in 1999. Therefore, in an October 2006 memorandum to California Cities, the FTB requested any interested city to supply the FTB with information regarding business license data for the 2006 tax year on a voluntary basis in exchange for compensation.
- B. The City was selected by the FTB and notified on March 1, 2007, of the opportunity to enter into an agreement whereby the City provides the FTB with its business tax data for the 2006 tax year. Exhibit A of Agreement Number C0600179 sets forth the scope of work.
- C. Participating cities will be paid through the 2006-07 California State Budget Appropriation for the costs associated with supplying the business operations tax data to the State. Exhibit B of Agreement Number C0600179 sets forth budget detail and payment provisions.
- D. As the State Budget appropriation to fund the program expires on June 30, 2007, the FTB has requested receipt of the executed Agreement in April, 2007.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The City Manager, or his authorized designee, is hereby authorized to enter into Agreement Number C0600179 between the City of Sacramento and California Franchise Tax Board for the City to provide business operations tax data to the FTB for the 2006 tax year.
- Section 2. The term of this agreement is April 1, 2007 through June 30, 2007.
- Section 3. The information provided under this agreement shall be used solely for the purpose of administration of tax and other non-tax programs that the FTB administers as set forth and provided by the California Revenue and Taxation Code Section 19504.