

**CITY OF LONG BEACH**

DEPARTMENT OF FINANCIAL MANAGEMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

December 7, 2004

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

SUBJECT: Resolution Providing for an Amnesty Period for Unlicensed Businesses  
(Citywide)

**DISCUSSION**

On May 11, 2004, the City Council approved an agreement with the California Franchise Tax Board (FTB) to participate in the Local Government Sharing Program (AB 63 program). The AB 63 program was established to assist local governments in their efforts to identify businesses operating within their jurisdictions. The FTB has provided the City with a database, which has subsequently been compared to the City's business license database, and has resulted in revealing over 19,000 businesses that filed an income tax return using a Long Beach zip code, but that apparently do not have a Long Beach business license. Based on the experience of Los Angeles and Newport Beach, both of which participated in the AB 63 program last year, participation in the AB 63 program could yield as many as 5,000 new business licenses from the 19,000 unlicensed businesses.

There are several reasons someone might file a Schedule C, *Profit or Loss from Business*, with the FTB using a Long Beach address without being a Long Beach business. For example, an accountant or attorney for the business might be located in Long Beach and used its Long Beach address for filing the tax return on the business' behalf, when the business itself might be located elsewhere.

The City will make no assumption about whether the 19,000 businesses initially identified by means of the AB 63 program data should have a business license. Those determinations will be made by City staff on a business-by-business basis. To this end, we would like to encourage those businesses that do need a Long Beach business license to voluntarily come forward. Normally a business is liable for paying a business license tax from its first day of operation and the City has the authority to collect for three years worth of back taxes plus a 100 percent penalty on all back taxes.

The purpose of the amnesty program is to facilitate voluntary compliance, by giving the newly discovered businesses 30 days to apply for a business license and not be subject to three-years back taxes and penalties. For the duration of this amnesty period (through December 2005), the attached Resolution will waive back taxes and penalties for any business that completes a business license application within 30 days of being notified by the City that it might need a Long Beach business license. In the event that a business does not wish to wait to be notified, any business that voluntarily completes a business license application prior to February 28, 2005, will also be eligible for amnesty. City staff will prepare a press release and advertise the amnesty program in local newspapers to encourage early participants.

This matter was reviewed by Deputy City Attorney Richard Anthony on November 23, 2004 and by Budget Management Officer David Wodynski on November 24, 2004.

TIMING CONSIDERATIONS

City Council action on this item is requested on December 7, 2004, as the program cannot become effective without City Council approval.

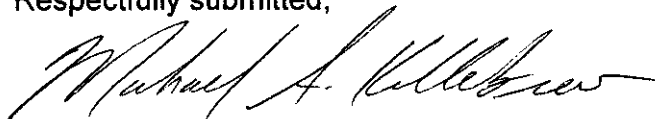
FISCAL IMPACT

Should the City realize 5,000 new business licenses from the combination of the AB 63 program and the Amnesty Program, as much as \$825,000 in additional revenue would be deposited into the General Fund annually. The City's use of the AB 63 program was initiated as part of the Three-Year Financial Strategic Plan and anticipated a conservative \$50,000 of increased revenue. Actual results will not be known for approximately six months.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Adopt the attached Resolution offering an amnesty program for unlicensed businesses from December 7, 2004 through December 31, 2005.

Respectfully submitted,



MICHAEL A. KILLEBREW  
ACTING DIRECTOR OF FINANCIAL MANAGEMENT

MAK:PW-H:lpc

Attachment

APPROVED:



GERALD R. MILLER  
CITY MANAGER