



CITY OF LONG BEACH

C-5

DEPARTMENT OF FINANCIAL MANAGEMENT

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May 1, 2012

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute an agreement with the California Franchise Tax Board (FTB) for records obtained from the FTB Taxpayer Information System and Business Entity Tax System, at a cost of \$0, with a term of June 1, 2012 through December 31, 2014. (Citywide)

DISCUSSION

In 2001, the State of California passed Assembly Bill 63 (AB 63), the Local Government Sharing Program, which permits the State to share certain income tax information with local governments. Under the program, participating cities are provided a list of businesses within the City that filed California income tax returns. The City can then ensure these businesses have applied for and received City business licenses.

The agreement will authorize the City to participate in the Local Government Sharing Program for the 2011, 2012, and 2013 tax years. The information that will be provided by the FTB is the taxpayer name, address, social security number or taxpayer identification number, and principal business activity code. This information will allow the Department of Financial Management to identify businesses in the City that are operating without a business license.

The City has been participating in the Local Government Sharing Program since the 2002 tax year, and is currently using 2009-2010 FTB data. The identification of unlicensed businesses has resulted in revenue to the General Fund. The City is devoting additional staff time to the program for FY 12 to ensure the receipt of business license revenue from identified businesses.

Along with other participating cities, this agreement allows FTB and the City to enter into a reciprocal agreement to exchange tax data specific to City business license information for tax administration purposes.

The proposed agreement contains the following major provisions:

- Length of term: June 1, 2012 through December 31, 2014. This agreement is for tax years 2011, 2012 and 2013 only. In order to participate in future years, a new agreement will be required.
- Confidentiality: Each City employee with access to the FTB records will be required to sign a confidentiality agreement. The City shall destroy the FTB records within three years of receipt.
- Compensation: The City will pay the State of California \$0.

This matter was reviewed by Deputy City Attorney Amy R. Webber on March 26, 2012 and Budget Management Officer Victoria Bell on April 16, 2012.

TIMING CONSIDERATIONS

City Council action on this item is requested on May 1, 2012 to ensure the agreement is executed and transmitted to the State by June 1, 2012.

FISCAL IMPACT

It is anticipated that participation in this program will have a positive impact to General Fund revenue for FY 13. This agreement will provide additional support to our local economy by generating sales tax revenue in Long Beach.

SUGGESTED ACTION:

Approve recommendation.

Respectfully Submitted,



JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:



PATRICK H. WEST
CITY MANAGER