



CITY OF POMONA COUNCIL REPORT

April 3, 2017

To: Honorable Mayor and Members of the City Council

From: Linda Lowry, City Manager

By: Onyx Jones, Finance Director

Subject: **Adoption of a Resolution Authorizing the City's Participation in the California Franchise Tax Board (FTB) City Business Tax Program**

OVERVIEW

Recommendation – That City Council approve the attached resolution authorizing the City's participation in the California Franchise Tax Board (FTB) City Business Tax Program and authorize the City Manager to execute the agreement.

Fiscal Impact – There is no cost to participate in the program, however, there is potential for revenue growth based on information provided by the FTB.

Previous Related Action – On April 21, 2014, the Pomona City Council approved Resolution No. 2014-35 authorizing participation in the FTB's City Business Tax Program.

EXECUTIVE SUMMARY

As part of the ongoing effort to facilitate the identification of businesses operating without a business license, California Revenue and Taxation Code Section 19551.1 authorizes a reciprocal agreement for the exchange of specified tax information between a city and the FTB. As a result of this code section, the Franchise Tax Board is permitted to disclose (to other public agencies) selected information about taxpayers that have reported income received from a trade or business. This information may then be used as a crosscheck with the records in City databases, and as a tool to help identify unlicensed businesses. This is a cooperative agreement between the City and the FTB, as the City provides business information to the State and the State provides income tax information to the City. The term of this agreement is June 1, 2017 through December 31, 2019.

DISCUSSION

To participate in the program, cities must approve a Standard Agreement to renew the City's participation in the Program. A resolution approved by the City Council stating the signatory to the agreement is authorized to enter into the agreement is also required. Once approved, the City forwards business license data to the FTB each June during the term of the agreement. In turn, the FTB provides the City records for taxpayers within the City's jurisdiction who indicate a business on their personal or business entity income tax return. The FTB also matches the data provided to the City against the FTB's data.

All data is considered confidential and can only be reviewed for official purposes. Unauthorized inspection or disclosure of state tax return information or other confidential data is a misdemeanor per Revenue and Taxation Code Section 19542, 19542.1 and 19552. Both the FTB and the City must agree the information obtained will be kept in the strictest confidence and shall make information available to its own employees only on a "need to know" basis. Additionally, each employee who may have access to the confidential data of the FTB is required to sign a City Business Tax Program Confidentiality Statement attesting to the fact that he/she is aware of the confidentiality of the data and the penalties for unauthorized disclosure thereof.

Participation is recommended as the use of the data is beneficial in locating businesses operating in the City which have either not obtained a business license or have under-reported annual gross revenue earnings on which the business license fee is based.

Attachments:

1. Resolution authorizing participation in the FTB program.
2. Attachment: Standard Agreement