

BUDGET AND FINANCE COMMITTEE REPORT relative to extending the City's business tax renewal deadline.

Recommendations for Council action:

1. NOTE and FILE the Office of Finance (Finance) reports dated November 20, 2017 and February 8, 2018 relative to an analysis of the impact of extending the City's business tax renewal deadline from February 28 to April 15th to align with the California Franchise Tax Board and federal Internal Revenue Services tax deadlines.
2. REQUEST the City Attorney to prepare and present Ordinances:
 - a. To extend the date after which a penalty may be applied to April 15th for a late filer who owes no tax.
 - b. To extend the business tax renewal deadline to March 15th for those filers that owe taxes.
3. INSTRUCT the City Administrative Officer (CAO), with the assistance of Finance, to contact the Los Angeles Area Chamber of Commerce, Valley Industry Commerce Association, as well as the various local chambers of commerce within the City, in order to solicit their input on extending the City's business tax renewal deadline.
4. INSTRUCT Finance to report on the amount of gross receipts taxes from the fiscal year in which a business tax renewal deadline of March 15th is extended that could potentially be received in the following fiscal year.

Fiscal Impact Statement: Neither the CAO nor the Chief Legislative Analyst has completed a financial analysis of this report.

Community Impact Statement: None submitted.

SUMMARY

At its regular meeting held on February 12, 2017, the Budget and Finance Committee considered a report from Finance dated November 20, 2017 relative to an analysis of the impact of extending the City's business tax renewal deadline from February 28 to April 15th to align with the California Franchise Tax Board and federal Internal Revenue Services tax deadlines in response to Motion (Englander - Blumenfield).

A representative of Finance, and the CAO's Revenue Manager/Inspector General of Citywide Collections (Revenue Manager), addressed the Committee to: provide an overview of this matter, review the discussion from the Committee's previous meeting of this matter from February 5, 2018, and respond to related questions from the Committee.

The CAO's Revenue Manager noted that in proposing to synchronize the City's business tax renewal deadline to the Federal and State tax deadlines of April 15th, the Committee should

keep in mind that corporate tax filers have an earlier federal filing date of March 15th. During the previous meeting of the Committee on this matter, the CAO and Finance reported a potential cashflow shortfall of approximately \$22 million within the fiscal year a business tax deadline was extended to April 15th, due to receiving remittances from late filers in the following fiscal year. In response to questions from the Committee regarding a shortfall if the tax renewal deadline was extended instead to March 15th instead, Finance stated that the majority of the \$22 million projected shortfall could be recovered in that current fiscal year. However, Finance stated that it would need to research the matter and report back.

During additional discussion, the Committee Vice Chair proposed changing the business tax renewal date to March 15th for filers who owe taxes. The Committee Chair concurred, but proposed that those filers who don't owe taxes, but could nevertheless be penalized for late filing, be given a deadline of April 15th. Additionally, in response to concerns from members of the Committee, the Chair requested the CAO to report on the fiscal impact of extending the renewal date to March 15th instead of April 15th, and that CAO take the lead on reaching out to the Los Angeles Area Chamber of Commerce, the Valley Industry Commerce Association, as well as the various local smaller chambers within the City, to obtain input from these organizations and their members on the proposal to extend the City's business tax renewal date. Lastly, the Committee Chair noted that any proposal on this matter, if approved, would be effective for 2019.

After further consideration, and after providing an opportunity for public comment, the Committee recommended that Council note and file the Finance reports and approve the request to the City Attorney to draft the ordinances and approve the instructions to the CAO, as detailed above. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

BUDGET AND FINANCE COMMITTEE



| <u>MEMBER</u> | <u>VOTE</u> |
|---------------|-------------|
| KREKORIAN: | YES |
| ENGLANDER: | YES |
| KORETZ: | YES |
| BLUMENFIELD: | YES |
| BONIN: | YES |

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