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ADDITIONAL AGENDA ITEM ON NEXT
FISCAL AGENDA TO BE POSTED #58

MOTION

California State Assembly Bill 63 (AB63) was signed into law in October 2001 and was effective through December 31, 2008. In September 2008, State Senate Bill 1146 (SB1146), which amended Revenue and Taxation Code Sections 19551 and 19551.1, and added Section 19551.5, thereby extending the December 31, 2008 sunset date to January 1, 2014 was signed into law. In October 2013, State Senate Bill 211, which extended the January 1, 2014 sunset date to January 1, 2019, was signed into law. AB63, SB1146, and SB211 provide authority to the State Franchise Tax Board (FTB) to furnish limited taxpayer information to tax officials of any California city. The AB63/SB1146/SB211 program has been a major component of the Office of Finance's (Finance) Business Tax Discovery Program since program inception in 2002 generating over \$192,330,374 in general fund revenue and adding 181,777 business accounts to the City of Los Angeles' (City) tax rolls to date.

Finance's three-year data-sharing reciprocal agreement with the FTB expired December 31, 2014. In anticipation of the agreement's expiration, Finance initiated negotiations with the FTB in July 2014 and successfully concluded negotiations on a new agreement. Pursuant to the new agreement, the FTB is required to provide taxpayer data to the City twice each year during the months of June and December, with an agreement expiration date of December 31, 2017. Finance uses this data to identify businesses that are operating in the City without a business tax registration certificate and thus not paying their fair share of the business tax. The agreement also requires that the City furnish limited taxpayer information, predicated upon the assurance of taxpayer confidentiality, to the FTB once a year. Although Finance's prior agreement with the FTB expired December 31, 2014, there will be no delays in the transfer of data from the FTB to the City as the next scheduled transfer would occur as scheduled in June 2015.

Prior agreements with the FTB required that the City pay an annual amount of \$20,000 to the FTB for the twice-yearly data transfer during the duration of the typical three-year term. The tentative agreement negotiated with the FTB by Finance eliminates the \$20,000 annual payment with no reduction in the twice-yearly data transfer. A one-time data programming charge of \$10,000 to be paid to the FTB by Finance is included in the reciprocal agreement and is required in order to ensure that Finance receives complete zip code data specific to City of Los Angeles charter boundaries. Finance has sufficient funds budgeted to cover the one-time \$10,000 data programming payment to the FTB.

I THEREFORE MOVE that the City Council, subject to the approval of the Mayor, authorize the Director of the Office of Finance to execute an agreement between the City of Los Angeles and the State Franchise Tax Board for the reciprocal exchange of business taxpayer information not to exceed \$10,000 for the period of May 2015 through December 2017.

Presented By: Paul Kerkorian
PAUL KREKORIAN
Councilmember, District 2

MAR 27 2015

Seconded By: Paul Kerkorian

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