

BUDGET AND FINANCE COMMITTEE REPORT relative to extending the City's business tax deadline to April to align with State and federal tax deadlines.

Recommendation for Council action, as initiated by Motion (Englander - Blumenfield):

INSTRUCT the Office of Finance, with the assistance of the City Administrative Officer (CAO) and Controller, to report in 30 days to the City Council with an analysis of the impacts of extending the City business tax deadline to April to align with State and federal tax deadlines, and to also include in the analysis:

- a. The potential to recover any initial implementation costs and provide estimates of ongoing savings that can be expected from this alignment.
- b. Recommendations on mitigating the impact on small individual filers of paying City business tax liabilities at the same time as State and Federal tax liabilities under the alignment.
- c. Proposals for outreach to businesses on the alignment.
- d. Impacts on the City's ability to forecast and budget the revenues from the Gross Receipts Tax.
- e. Impacts on revenue and cash flow from late filers under the alignment, and costs to the City for interim short-term borrowing.

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 August 21, 2017, the Budget and Finance Committee considered Motion (Englander - Blumenfield) relative to an instruction to Finance, with the assistance of the CAO and Controller, to report with an analysis of the impact of extending the City's business tax deadline to April to align with State and federal tax deadlines, and for Finance to include in the analysis potential recovery of implementation costs and estimates of ongoing savings from the alignment.

A representative from Finance addressed the Committee on the matter and responded to related questions. Additionally, Councilmember Englander, the maker of the Motion, provided a brief statement on the purpose of the Motion. The Councilmember noted that the City has a different tax deadline (January 1st) than the State and federal government (April), which creates a burden on businesses. Aligning the City's tax deadline with State and federal tax deadline would save businesses time and costs in that they would no longer have to prepare their City taxes immediately after their busy season nor would they have to keep two separate books for tax purposes. Additionally, the Councilmember noted that an added benefit of the alignment would

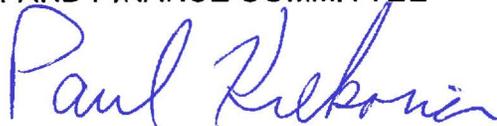
be better compliance since currently some business may not realize their City taxes may be due because they are more familiar with the State and Federal deadline.

During further discussion of the matter, members of the Committee noted various concerns with the alignment such as: difficulties for smaller filers with cash flow since they would now have to pay City business taxes at the same time as their State and federal tax, ensuring that outreach to businesses regarding the proposed change is conducted, the impact on the City's ability to forecast and budget tax revenues, and potential costs to the City associated with short-term borrowing to cover shortfalls in tax revenue due to delayed filers.

After consideration, and after providing an opportunity for public comment, the Committee approved the Motion as amended to request the Office of Finance also include the Committees concerns in its report and for that report to be submitted in 30 days. 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
BLUMENFILED:	YES
BONIN:	ABSENT

REW 9/11/17 FILE NO. 17-0675

-NOT OFFICIAL UNTIL COUNCIL ACTS-