



Office of the City Manager

CONSENT CALENDAR  
June 25, 2019

To: Honorable Mayor and Members of the City Council  
From: Dee Williams-Ridley, City Manager  
Submitted by: Henry Oyekanmi, Director, Finance Department  
Subject: Franchise Tax Board / City Business Tax Reciprocal Agreement

RECOMMENDATION

Adopt a Resolution approving the Franchise Tax Board / City Business Tax Reciprocal Agreement for the City's participation in the local government business license information sharing program and authorizing the City Manager to sign the agreement.

FISCAL IMPACTS OF RECOMMENDATION

There are no additional costs anticipated in addition to the staff time required to access the database and extract the required data. The agreement with the Franchise Tax Board (FTB) is considered a "non-financial" agreement with each party bearing any additional costs associated with the data exchange.

CURRENT SITUATION AND ITS EFFECTS

The FTB is a state agency that collects income tax revenue from businesses and individuals for the State of California. The Franchise Tax Board / City Business Tax Reciprocal Agreement, allows the exchange of business data between the FTB and the City thereby benefitting both agencies. It is also a strategic plan priority, in advancing our goal to provide an efficient and financially-healthy City government. In order to participate the City must have a resolution allowing participation and for the execution of the agreement by the City Manager.

The City provides the FTB a listing of licensed businesses and the FTB provides information on businesses operating within the City. These listings enable a cross referencing of both databases to ensure payment of sales tax as well as business license tax.

BACKGROUND

The purpose of the Agreement is to provide the City with data records obtained from the FTB Tax Information System and Business Entity Tax System. These reports are crucial in monitoring sales tax receipts and maintaining the City's business license tax program. This will enable the City to increase sales tax and business license tax revenue by discovering unlicensed and underreporting businesses. There are strict confidentiality controls over the data transfer as well as the accessibility by unauthorized persons.

All data is transferred, stored and monitored under a secure network to prevent any breach of confidentiality.

ENVIRONMENTAL SUSTAINABILITY

There are no identifiable environmental effects or opportunities associated with the subject of this report.

RATIONALE FOR RECOMMENDATION

California Revenue and Taxation Code (R&T) Section 19551.1 authorizes a reciprocal agreement for the exchange of City business tax and income tax information between the City and the FTB. R&T Section 19551.5 mandates the City to provide City Business License Tax data to the FTB upon request.

ALTERNATIVE ACTIONS CONSIDERED

None

CONTACT PERSON

Henry Oyekanmi, Director of Finance, Finance Department, (510) 981-7326

Attachments:

1: Resolution

RESOLUTION NO. ##,###-N.S.

AUTHORIZING PARTICIPATION IN THE FRANCHISE TAX BOARD'S CITY  
BUSINESS TAX PROGRAM

WHEREAS, the City Council of the City of Berkeley deems it desirable to utilize the Franchise Tax Board's (FTB) City Business Tax Program; and

WHEREAS, Section 19551.1 of the California Revenue & Taxation Code authorizes a reciprocal agreement for the exchange of City business license tax and income tax information between the City and the FTB; and

WHEREAS, this data enables a cross referencing of both databases to ensure payment of sales tax as well as business license tax for businesses operating within city limits; and

WHEREAS, this agreement is intended to be a non-financial agreement with each party bearing their own costs for the exchange of data; and

WHEREAS, such agreement can be renewed thereafter expiration, and can be terminated at any time with 30 days advanced notice.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that it approves participation in the Franchise Tax Board's City Business Tax Program for the term of the agreement.

BE IT FURTHER RESOLVED that the City Manager is hereby authorized to execute the contract required for participation in the program. The City Clerk shall certify to the passage and adoption of this resolution, and it shall there upon be in full force and effect.

