



## CITY OF COMMERCE AGENDA REPORT

**TO:** Honorable City Council

**Item No.** \_\_\_\_\_

**FROM:** City Administrator

**SUBJECT:** A Resolution Approving an Agreement with the Franchise Tax Board for Participation in a Data Exchange Program

**MEETING DATE:** March 6, 2018

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### **RECOMMENDATION:**

Approve and adopt the Resolution approving an Agreement with the Franchise Tax Board for participation in a data exchange program, and assign the number next in order.

### **BACKGROUND/ANALYSIS:**

In September 2008, SB 1146 passed which mandated cities, which administer a business tax program, to provide specific data to the Franchise tax Board (FTB) annually. This law also created an opportunity for cities to enter into a reciprocal agreement to participate in a Data Exchange Program with the FTB.

Under the Data Exchange Program, the City will provide the FTB with business license data as mandated by SB 1146. The FTB will then provide the City with limited tax information on taxpayers that report business expenses on a Schedule C ("Profit or Loss from Business Activity") and/or legal entities that report business income.

On March 6, 2012, City Council approved a reciprocal agreement with the FTB for participation in the FTB's Data Exchange Program. The term of the agreement expired in December 31, 2014.

On April 21, 2015, City Council approved a reciprocal agreement with the FTB for the City's participation in the Data Exchange Program. The term of the agreement expired December 31, 2017. The FTB requires a new agreement for continued participation. The City has participated in the Data Exchange Program since 2009.

The Business License Division would like to continue participation in the Data Exchange Program with the FTB for business license compliance purposes. The new agreement term will be June 1, 2018 through December 31, 2020. There is no cost to the City to participate. The deadline to submit the executed agreement to the FTB is April 27, 2018.

The FTB imposes very strict confidentiality conditions on the data they provide. The data cannot be shared with any other person or entity. They also explicitly specify that the data is to be used solely for administering the City's business license program. The FTB data must be destroyed if not used within 1 year.

The City Business License Officer will serve as the assigned project coordinator and will be authorized to handle the information as specified in the agreement.

**ALTERNATIVES:**

1. Approve staff recommendation
2. Provide staff with further direction

**FISCAL IMPACT:**

Potential increased revenue for the City using existing equipment to send and receive data electronically via FTB's Secure Web Internet File Transfer.

**RELATIONSHIP TO STRATEGIC GOALS:**

This report is not applicable to any specific goal; however, it is related to the following goal: *Implement city business processes and identification of cost of services and cost of recovery policies.*

Prepared by: Maria Ibarra Villaseñor, Business License Officer

Recommended by: Vilko Domic, Director of Finance

Approved as to form: Noel Tapia, City Attorney

Respectfully submitted: Edgar P. Cisneros, City Administrator

**ATTACHMENTS:**

1. Resolution
2. Agreement

DS/staff reports, city council/Franchise Tax Board/SR FTB Agmt 3-20-18 MV