



CITY OF WHEATLAND

CITY COUNCIL MEETING STAFF REPORT

February 23, 2021

SUBJECT: Resolution Authorizing Examination of Transactions Tax Records

PREPARED BY: Susan Mahoney, Finance Director

Recommendation

Staff recommends that Council approve Resolution 06-21 authorizing the examination of Transactions Tax records.

Background

Resolution 24-10 adopted by Council on December 14, 2010 authorized HDL Companies to examine the City's Measure S (1/2 cent sales tax) Transactions Tax Records. Measure S expires on March 31, 2021. In November 2020, Wheatland voters approved Measure O which extends the Transactions Tax. The California Department of Tax and Fee Administration (CDTFA, formally known as Board of Equalization) requires an updated authorization from the Council to allow HDL Companies to examine the Measure O Transactions Tax Records.

Discussion

HDL Companies has been authorized to examine the City's sales tax records since 2006 and transactions tax records since 2010. They provide the City with a quarterly sales tax analyses, identify tax that is not being collected by CDTFA, and examine and correct tax misallocations. Their fee to examine sales tax records is 15% of the initial revenue recovery plus 15% for the first eight consecutive reporting quarters. Due to its complexity, their fee structure for examining transactions tax records is 25% of the initial revenue recovery plus an additional \$200 per month flat charge in lieu of the eight quarterly payments. Their services have resulted in the recovery of sales and transaction tax revenue that was either not being collected by CDTFA or allocated to another taxing jurisdiction.

Alternatives

The alternative is to not authorize HDL Companies to examine the City's transactions tax records.

Fiscal Impact

There is no way to predict the collection errors that could be made by the CDTFA and the allocation errors that could be made by vendors. The fiscal impact of not examining transactions tax records could be substantial over the ten-year period of the tax.

Attachments

1. Resolution 06-21

RESOLUTION NO. 06-21

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WHEATLAND AUTHORIZING EXAMINATION OF TRANSACTIONS TAX RECORDS

WHEREAS, pursuant to Resolution No. 23-10, the City of Wheatland entered into a contract with the California Department of Tax and Fee Administration (hereafter referred to as Department) to perform all functions incident to the administration and collection of transactions taxes; and

WHEREAS, the City Council of the City of Wheatland deems it desirable and necessary for authorized representatives of the City to examine transactions tax records of the Department pertaining to transactions taxes collected by the Department for the City pursuant to that contract; and

WHEREAS, Section 7056 of the California Revenue and Taxation Code sets forth certain requirements and conditions for the disclosure of Department records and establishes criminal penalties for the unlawful disclosure of information contained in, or derived from, the sales, use and transactions tax records of the Department.

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

Section 1. That the City Manager, or other officer or employee of the City designated in writing by the City Manager to the Department, is hereby appointed to represent the City of Wheatland with authority to examine transactions tax records of the Department pertaining to transactions taxes collected for the City by the Department pursuant to the contact between the City and the Department. The information obtained by examination of Department records shall be used only for purposes related to the collection of City transactions taxes by the Department pursuant to that contract.

Section 2. That the City Manager, or other officer or employee of the City designated in writing by the City Manager to the Department, is hereby appointed to represent the City with authority to examine those transactions tax records of the Department, for purposes related to the following governmental functions of the City:

- (a) City administration
- (b) Revenue management and budgeting
- (c) Community and economic development
- (d) Business license tax administration

The information obtained by examination of Department records shall be used only for those governmental functions of the City listed above.

Section 3. That HDL Companies is hereby designated to examine the transactions tax records of the Department pertaining to transactions taxes collected for the City by the Department. The person or entity designated by this section meets all of the following conditions:

- (a) Has an existing contract with the City to examine those transactions tax records.
- (b) Is required by that contract to disclose information contained in, or derived from, those transactions tax records only to the officer or employee authorized under Sections 1 or 2 of this resolution to examine the information.
- (c) Is prohibited by that contract from retaining the information contained in, or derived from those transactions tax records, after that contract has expired.

The information obtained by examination of Department records shall be used only for purposes related to the collection of City transactions taxes by the Department pursuant to the contract between and City and the Department and for purposes relating to the governmental functions of the City listed in section 2 of this resolution.

PASSED AND ADOPTED by the City Council of the City of Wheatland on the 23rd day of February 2021 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

Rick West, Mayor

Lisa J. Thomason, City Clerk