



Legislation Text

File #: 24-340, **Version:** 1

Report Prepared by: Craig J. Cornwell City Attorney

SUBJECT: Merced Vital City Services Protection Measure Tax Administration Agreements with the California Department of Tax and Fee Administration (CDTFA)

REPORT IN BRIEF

Considers adopting Resolutions authorizing the Tax Administration of the Merced Vital City Services Protection Measure.

RECOMMENDATION

City Council - Adopt a motion:

- A. Adopting **Resolution 2024-46**, A Resolution of the City Council of the City of Merced, California, Authorizing City Manager to Execute Agreements with the California Department of Tax and Fee Administration for Implementation of a Local Transactions and Use Tax; and,
- B. Adopting **Resolution 2024-47**, A Resolution of the City Council of the City of Merced, California, Authorizing Examination of Sales or Transactions and Use Taxes Records; and,
- C. Authorizing the City Manager to execute the necessary documents; and,
- D. Approving a Supplemental Appropriation in the amount of \$175,000 in Fund 2001-Measure C to cover the CDTFA prepatory agreement costs; and,
- E. Authorizing the Finance Officer to make the necessary budget adjustments.

ALTERNATIVES

- 1. Approve, as recommended by staff; or,
- 2. Approve, subject to conditions other than as recommended by staff; or,
- 3. Deny; or,
- 4. Continue to a future meeting.

AUTHORITY

Charter of the City of Merced, Section 200.
Revenue and Taxation Code Section 7270.

CITY COUNCIL PRIORITIES

As provided for in the 2023-24 Adopted Budget.

DISCUSSION

On October 2, 2023, the City Council adopted Resolution 2023-73, which authorized the submission of a ballot measure to convert an existing sales tax of one-half percent to a special tax to be in effect until March 31, 2044, without raising current tax rates, to the qualified voters of the City at the special municipal election held on March 5, 2024. The voters of the City approved the ballot measure in said election.

Section 7270 of the Revenue and Taxation Code requires that certain agreements be entered into with the California Department of Tax and Fee Administration ("Department") for the collection and the administration of the approved transactions and use taxes. There are two agreements with the Department.

The first Agreement (Preparation to Administer and Operate City's Transactions and Use Tax Ordinance) is to pay for the costs involved in setting up a proper tax collection mechanism by the Department, specifically for the collection and accounting of the taxes. No estimate is provided by the CDFTA but it does state it will not exceed \$175,000 and a detailed invoice will be provided.

The second Agreement (Agreement for State Administration of City Transactions and Use Taxes) is to pay for the ongoing costs involved in the collection, payment, administration, and accounting of the transactions and use taxes.

Section 7056 of the California Revenue and Taxation Code sets forth certain requirements and conditions for the disclosure of Department records. The proposed Resolution Authorizing Examinations of Sale or Transactions and Use Taxes Records, names the authorized officers, employees and representatives of the City to examine confidential sales or transactions and use tax records of the Department.

The City has an existing contract with Hinderliter de Lamas and Associates which requires examination of records maintained by the Department pertaining to the transactions and use taxes collected for the City by the Department. The purpose of this service is to ensure accurate collection and remittance of the local transactions and use taxes in the City.

IMPACT ON CITY RESOURCES

A Supplemental Appropriation in the amount of \$175,000 is needed in Measure C in order to pay the preparatory agreement costs.

ATTACHMENTS

1. Resolution 2024-46
2. Resolution 2024-47
3. Agreement for Preparation to Administer and Operate City's Transactions and Use Tax Ordinance
4. Agreement for State Administration of City Transactions and Use Taxes