



Staff Reports Details (With Text)

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Title: Sales, Use and Transaction Tax Records Examination

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Attachments: 1. ATCH 1 - Resolution, 2. ATCH 2 - Professional Services Agreement

Date	Ver.	Action By	Action	Result
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5/19/2020 1 CITY COUNCIL OF THE CITY OF NAPA

To: Honorable Mayor and Members of City Council

From: Bret Prebula, Finance Director

Prepared By: Bret Prebula, Finance Director

TITLE:

Sales, Use and Transaction Tax Records Examination

RECOMMENDED ACTION:

Adopt a resolution authorizing the City Manager and Hinderliter, de Llamas & Associates, LLC (HdL) to examine sales, use and transaction tax records collected by the California Department of Tax and Fee Administration on behalf of the City.

DISCUSSION:

The California Department of Tax and Fee Administration (CDTFA), collects sales, use and transaction tax records on behalf of municipalities in California. The responsibilities of the CDTFA were formerly performed by the California Board of Equalization (BOE). However, the California Taxpayer Transparency and Fairness Act of 2017 (AB-102, Chapter 16) restructured the BOE into three separate entities: BOE, CDTFA, and the Office of Tax Appeals; with sales and use tax administration under the authority of CDTFA. As described in Napa Municipal Code 3.12.070, the City contracts with CDTFA (under its former title, BOE) for administration and operations of sales and use tax.

California Revenue and Taxation Code Section 7056 authorizes officers or employees of the City to request (by Council resolution) and obtain authority from CDTFA to confidentially examine sales and use tax transaction records. The City may also request a consultant under contract with the City to examine the confidential tax records. However, information obtained by the consultant may only be disclosed to an authorized officer or employee of the City. A consultant performing such services on

behalf of the City is prohibited from engaging in consulting services for a retailer during the term of the contract. Furthermore, the consultant is prohibited from retaining sales or transactions and use tax records after contract expiration.

The City issued a Request For Proposals on February 12, 2020 for Revenue Audit and Consulting Services to improve revenue recovery, data accuracy, and revenue business process improvement. On April 23, 2020, the City executed a contract with the Consultant (HdL) for revenue recovery and consulting services. The Finance Director and staff recommend adoption of a resolution authorizing HdL the authority to examine City of Napa sales, use and transaction records collected by CDTFA to advance the City's improvement of revenue collection.

FINANCIAL IMPACTS:

This decision does not have a financial impact.

CEQA:

The Finance Director has determined that the Recommended Action described in this Agenda Report is not subject to CEQA, pursuant to CEQA Guidelines Section 15060(c).

DOCUMENTS ATTACHED:

ATCH 1 - Resolution

ATCH 2 - Agreement

NOTIFICATION:

None