



Board Report

File #: 2016-0935, File Type: Motion / Motion Response

Agenda Number: 10

FINANCE, BUDGET AND AUDIT COMMITTEE JANUARY 18, 2017

SUBJECT: ADMINISTRATION OF MEASURE M SALES AND USE TAX

ACTION: APPROVE RESOLUTIONS AND AGREEMENTS WITH THE STATE BOARD OF EQUALIZATION FOR ADMINISTRATION OF MEASURE M SALES AND USE TAX

RECOMMENDATION

CONSIDER:

- A. ADOPTING the **Resolution authorizing LACMTA Officials to execute and sign an agreement with the State Board of Equalization for implementation of Measure M**, Attachment A;
- B. APPROVING agreement to set-up systems to administer and operate Measure M, Attachment B, at a one-time cost up to \$175,000; the funds are included in the FY17 budget;
- C. APPROVING agreement to provide on-going administration and operation of Measure M, Attachment C;
- D. ADOPTING the Resolution authorizing examination of Measure M sales tax records by Metro and audit consultant staff, Attachment D; and
- E. AUTHORIZING the CEO or his designee to take all actions necessary to achieve the foregoing.

The attachments are in substantially final form.

ISSUE

On November 8, 2016, Los Angeles County voters approved Measure M, officially titled Los Angeles County Transportation Improvement Plan. The State Board of Equalization ("SBOE") requires the approval of resolutions and execution of certain agreements in order for them to set up their systems and collect the Measure M sales tax beginning on July 1, 2017.

The preparation agreement, Attachment B, requires that Metro reimburse SBOE one time up to \$175,000 for its costs of developing procedures, programming for data processing, developing and adopting appropriate regulations, designing and printing forms, developing instructions for SBOE

staff and for taxpayers and other appropriate and necessary preparatory costs to administer the Measure M ordinance.

DISCUSSION

We are required by the California Revenue & Taxation Code and the Measure M Ordinance to contract with the SBOE to administer and collect the Measure M sales and use taxes for Metro. The attached resolutions and agreements, Attachments A, B, and C authorize Metro and SBOE to perform all functions incident to the administration and operation of the Measure M Ordinance.

In order to recover transaction and use taxes incorrectly allocated to other jurisdictions, LACMTA must examine Los Angeles County businesses' quarterly sales tax reports and file claims with the State Board of Equalization (SBOE) when errors are noted. MuniServices is the firm hired by Metro to audit transaction and use tax receipts and we must give them authorization to examine Measure M tax records, Attachment D. MuniServices is only paid a percentage (currently 11%) of monies recovered by their audits.

DETERMINATION OF SAFETY IMPACT

Approval of this item will result in no impact on safety.

FINANCIAL IMPACT

The one time costs of the preparation agreement, up to \$175,000 is included in the FY17 budget and will be paid from Measure R Administration funds. In accordance with Measure M and SBOE procedures, the SBOE's ongoing administration costs (approximately 1.1% of gross receipts) will be deducted from the sales tax proceeds before they are remitted to Metro.

ALTERNATIVES CONSIDERED

We are required by the California Revenue & Taxation Code and the Measure M Ordinance to contract with the SBOE to administer and collect the Measure M sales and use taxes for Metro.

NEXT STEPS

Execute the agreements with the SBOE.

..Attachments

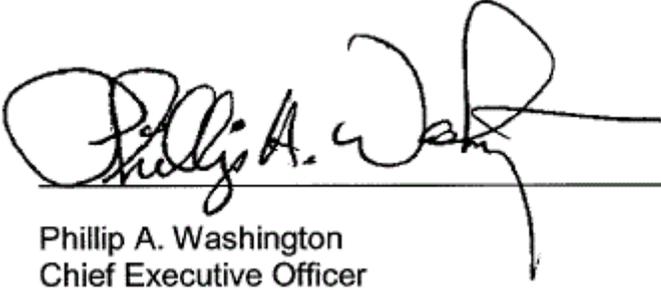
ATTACHMENTS

Attachment A - Resolution authorizing the Chief Executive Officer to execute the agreements with the SBOE

Attachment B - Agreement for preparation to administer and operate Measure M Attachment C - Agreement for the administration of Measure M

Attachment D - Resolution authorizing the examination of Measure M tax records

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