



Metro

Metropolitan Transportation Authority

One Gateway Plaza
Los Angeles, CA 90012-2952

213.922.2
metro.net

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Revised

**EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
JULY 21, 2005**

SUBJECT: STATE LEGISLATION

ACTION: APPROVE STAFF RECOMMENDATION ON STATE LEGISLATION

RECOMMENDATION

Adopt the following positions:

- A. SB 801 (Simitian)- Sales Tax Administration. ~~OPPOSE~~ *SUPPORT IF AMENDED*

ATTACHMENTS

- A. SB 801

Prepared by Michael Turner
Government Relations Manager

Kimberly Yu
Government Relations Officer

Maria A. Guerra

Maria A. Guerra
Chief of Staff

Roger Snoble

Roger Snoble
Chief Executive Officer

BILL: SB 801

AUTHOR: STATE SENATOR JOSEPH SIMITIAN
(D-PALO ALTO)

SUBJECT: SALES TAX ADMINISTRATION

STATUS: ASSEMBLY REVENUE AND TAXATION COMMITTEE

ACTION: ~~OPPOSE~~ *SUPPORT IF AMENDED*

Recommendation

Staff recommends that the Metro Board of Directors adopt ~~an oppose~~ a *support if amended* position on SB 801.

Issue

SB 801 will change the way in which small businesses remit sales tax to the state, possibly resulting in cash flow problems for the agency and potential loss of funds due to that delay.

Provisions

SB 801 will change the way in which small business remit their sales taxes to the State. Specifically, this measure would:

- Allow business with a monthly estimated tax of \$1,400-\$4,000 per month to file a sales and use tax return on an annual basis and to make quarterly prepayments, rather than filing full returns on a quarterly basis.
- Allow businesses of a certain size, to make their payments annually instead of quarterly.

Impact Analysis

Current law requires businesses to remit sales taxes to the state on a quarterly basis. These taxes are then passed on to local jurisdictions on that same schedule. These funds are used to meet Metro's operating needs and the timely processing of those receipts by the State is important to meet Metro's financial obligations.

Metro receives sales tax proceeds from two local sales taxes that are administered by the Board of Equalization (BOE). Businesses file quarterly returns and make quarterly payments. The BOE collects the revenue and disburses payments to the taxing jurisdictions.

SB 801 would impact Metro in two ways. First, the immediate shift of funding could delay the process Metro's receipt of sales tax proceeds. Second, the state may have the ability to hold funds as well as to recoup the interest from holding these funds. Current financial analysis shows that up to \$40 million would be delayed in the first year if SB 801 is approved.

Staff recommends that the Metro Board of Directors adopt ~~an oppose~~ a *support if amended* position on SB 801.