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City Council

Approval for Continued Exploration for Creation of a Tax Audit Team

Agenda Date: 4/16/2024
Agenda Item Number: 6.C
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Title

Approval for Continued Exploration for Creation of a Tax Audit Team

Recommended Action

Committee Recommendation:

The Finance Committee recommend approval of initiative and referral to City Council for consideration.

City Manager Recommendation:

Move to approve the continued exploration of a tax audit program, directing the Finance Department to continue working toward its creation, including approving necessary budgetary funding and FTE as part of a future 2024 budget adjustment Ordinance.

Report

Issue:

Whether to approve the continued exploration of a tax audit program, directing the Finance Department to continue working toward its creation, including approving necessary budgetary funding and FTE as part of a future 2024 budget adjustment Ordinance.

Staff Contact:

Aaron BeMiller, Finance Director, 360.753.8465

Presenter(s):

Brandie Andrews, Tax and License Analyst, City of Olympia

Background and Analysis:

Businesses operating here are required to obtain an Olympia endorsement on their state business license and file Olympia tax returns. In the past five years, Olympia's business taxpayer base has grown by 30% while tax filings have only increased 2%. New businesses may be unfamiliar with municipal tax and license rules. Covid also reset existing business' knowledge about municipal licensing and taxation responsibilities. These and other factors have led to heightened levels of voluntary non-compliance.

Exploration of creating a tax team began in earnest in mid-2023 and since that time, Finance team

members have met with several cities who have a similar program to learn their processes. Additionally, the Finance department has continued to investigate an online B&O tax payment solution. Staff have looked at various solutions but all that we have tested have had limitations that ultimately would make online filing more difficult than the current method of filing. However, we have been exploring a solution created by another Washington City which is proving to be a very positive process to date.

Approval by the City Council would signal support for the Finance Department continuing to work toward the creation of the tax audit team, including authorizing the Finance Department to hire staff and establish the tax team program. Council will formally authorize the additional 3.0FTE and requisite budgetary expenditure necessary to fully fund the program as part of a future 2024 budget adjustment Ordinance.

Climate Analysis:

This agenda item is expected to result in no impact to greenhouse gas emissions.

Equity Analysis:

Currently all businesses operating in Olympia have identical access to information about local business licensing and taxation. Not all businesses access or respond to this information, causing disparities in fairness and justice for those who do. This program targets such disparities in our business community.

Neighborhood/Community Interests (if known):

Members of the community may have an interest in this agenda item as it deals with City finances and fiscal governance.

Financial Impact:

Current estimates on the cost of the tax team are roughly \$560,000 annually for three positions and necessary supplies. It is anticipated that this team will bring in additional resources at an amount to at least to cover the costs of the program.

Options:

1. Receive the presentation and approve Finance staff to continue to work toward creating the team.
2. Receive the presentation on and do not approve Finance staff to continue to work toward creating the team.
3. Receive the presentation at another time.

Attachments:

None