



## AGENDA REPORT

**Meeting Date:** April 22, 2010  
**Item Number:** G-3  
**To:** Honorable Mayor & City Council  
**From:** City Attorney  
**Subject:** ORDINANCE OF THE CITY OF BEVERLY HILLS REGARDING  
REDUCTION OR ELIMINATION OF BUSINESS TAX PENALTIES  
FOR GOOD FAITH COMPLIANCE WITH CITY TAX LAWS AND  
AMENDING THE BEVERLY HILLS MUNICIPAL CODE  
**Attachments:** 1. Ordinance

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### **RECOMMENDATION**

It is recommended that the ordinance entitled "Ordinance of the City of Beverly Hills Regarding Reduction or Elimination of Business Tax Penalties for Good Faith Compliance with City Tax Laws and Amending the Beverly Hills Municipal Code" be adopted.

### **INTRODUCTION**

This ordinance amends the Municipal Code to allow for the complete elimination of penalties at the staff level in cases where a business taxpayer self-reports an error and immediately pays all delinquent taxes with interest pursuant to the Municipal Code. Additionally, the ordinance allows for a staff-level reduction of penalties to 10 % of the tax deficiency in cases where taxpayers immediately comply with any audit findings requiring payment of delinquent taxes and interest according to the Municipal Code.

### **DISCUSSION**

The City Council approved the introduction of the ordinance at the April 6, 2010 City Council meeting.

### **FISCAL IMPACT**

The City Attorney's Office and the Department of Administrative Services both believe that creating a limited, staff-level authority to reduce or eliminate penalties in situations of good faith compliance would encourage self-reporting and prompt compliance with audits. Increases in self reporting and audit compliance, in turn, would significantly

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reduce staff costs and attorney's fees and would improve relationships with the business community, and this would likely offset any loss in revenue for the reduced penalty.

  
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Laurence S. Wiener, City Attorney

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE OF THE CITY OF BEVERLY HILLS  
REGARDING REDUCTION OR ELIMINATION OF BUSINESS  
TAX PENALTIES FOR GOOD FAITH COMPLIANCE WITH  
CITY TAX LAWS AND AMENDING THE BEVERLY HILLS  
MUNICIPAL CODE

THE CITY COUNCIL OF THE CITY OF BEVERLY HILLS HEREBY  
ORDAINS AS FOLLOWS:

Section 1. Section 3-1-207(B) of Article 2 of Chapter 1 of Title 3 of the Beverly Hills  
Municipal Code is hereby amended by adding in numerical order a new subsection 3 to read as  
follows:

“3. Reduction or Elimination of Penalties: Notwithstanding anything contained in  
this section 3-1-207(B), any person that is obligated to pay a penalty as a result of  
a delinquency in the payment of taxes, penalties or interest, as provided in section  
3-1-207(B)(1) or section 3-1-207(B)(2) may apply to the Director of  
Administrative Services for a reduction or elimination of such penalty or  
penalties. The Director shall grant a reduction or elimination of such penalty or  
penalties as provided below only if the Director determines that the person meets  
one of the following criteria:

- a. The person has voluntarily reported the delinquency that was not  
otherwise previously known or discovered by the City and has paid the  
total sum of delinquent taxes and interest due under section 3-1-207(D)  
within thirty (30) days after issuance by the City of an audit report  
calculating such sum. The voluntary report of delinquency shall be made  
upon forms and pursuant to procedures to be promulgated by the  
Director of Administrative Services; or
- b. The person’s delinquency was discovered other than by a voluntary  
report as provided in section 3-1-207(B)(3)(a), but the person  
nonetheless has paid the total sum of delinquent taxes, penalties and  
interest due under section 3-1-207(D) within thirty (30) days after  
issuance by the City of an audit report calculating such sum.

If the Director determines that the person has met the criterion set forth in section  
3-1-207(B)(3)(a), then the penalty or penalties otherwise due for such  
delinquency shall be eliminated. If the Director determines that the person has  
met the criterion set forth in section 3-1-207(B)(3)(b), then the penalty or  
penalties otherwise due for such delinquency shall be limited to ten percent (10%)  
of the amount of the total tax due.

No person shall be entitled to elimination or reduction of any penalty unless timely payment of taxes, interest and any applicable penalties shall be made as provided in this section. The failure to make a timely payment as provided in this section or the taking of any other action to otherwise contest the results of the City's audit report shall constitute a complete waiver of any right to seek reduction or elimination of any penalty pursuant to this section. This section 3-1-207(B)(3) shall not apply to any delinquency after that delinquency becomes the subject of an assessment of business taxes.”

Section 2. Section 3-1-207 of Article 2 of Chapter 1 of Title 3 of the Beverly Hills

Municipal Code is hereby amended by adding in alphabetical order a new subsection F to read as follows:

“F. Nothing in this article or this section shall obligate the City or the Director of Administrative Services to conduct any audit, including without limitation an audit pursuant to section 3-1-212, as a prerequisite to any assessment or enforcement of the tax, penalty or interest obligations in this article.”

Section 3. Section 3-1-207(B)(3), as set forth in this ordinance, shall not apply to any delinquency reported or discovered in any manner whatsoever prior to April 6, 2010, nor to any continuation of a delinquency reported or discovered in any manner whatsoever prior to April 6, 2010.

Section 4. This Ordinance shall go into effect at 12:01 a.m. on the thirty-first day after its passage.

Section 5. The City Clerk shall certify to the adoption of this Ordinance, and shall cause this Ordinance and his certification, together with proof of publication, to be entered in the Book of Ordinances of the Council of this City.

Adopted:  
Effective:

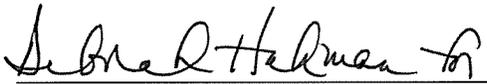
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JIMMY DELSHAD  
Mayor of the City of  
Beverly Hills, California

ATTEST:

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BYRON POPE  
City Clerk

(SEAL)

APPROVED AS TO FORM:

  
\_\_\_\_\_  
LAURENCE S. WIENER  
City Attorney

APPROVED AS TO CONTENT:

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JEFFREY KOLIN  
City Manager

  
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SCOTT G. MILLER  
Director of Administrative Services / Chief  
Financial Officer