

City of Biggs

City Administrator agenda item request for the next
(X) Regular () Adjourned Regular () Special Meeting

Meeting Date: September 19, 2011 6:00PM

Date: September 14, 2011
To: Honorable Mayor and Members of the City Council
From: City Administrator
Subject: Hometown Committee Use of City Tax ID (Discussion/Information)

Council will consult with City Attorney about questions relative to use of the City's Tax Identification Number.

Background:

Mayor Frith raised questions about the Hometown Committee's use of the City's tax ID number, related accounting, and whether there now exist liability issues associated with the situation.

Specific questions from Mayor Frith include:

1. Does the City have a legal issue?
2. Does V.M. Thompson have a legal issue?
3. Do the Hometown Committee members have a legal issue?
4. Does the Council have a legal issue?
5. Does the City Staff have any legal issue?
6. Does the City have any liability if the IRS denies a tax return due to this donation claim?

City Attorney will discuss and address these questions with the Council. Also, Council is asked to consider the process for transferring collected donations from City to committee.

Attachment: Memo to Council and related correspondence.

Recommendation:

Consider situation, direct staff if further action is needed.

Fiscal Impact:

N/A



CITY OF BIGGS

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INTERNAL MEMORANDUM

DATE: September 14, 2011
TO: Honorable Mayor and City Council
FROM: Pete Carr, Administrator
SUBJECT: Hometown Celebration Pass-thru Donation Update

A year ago the City Council approved allowing utility customers to designate a variable amount added to their utility bill payment as a donation to Hometown Celebration programs. These donations are entirely voluntary, of course, and no reporting is made here of who donated.

These donations are held at the City until requested by the Hometown Committee. To date a total of \$735.84 has been collected through this process and remains on account in the City general fund. These donations are comprised of:

7 unique individual donors ranging \$5-20/donation, 1 donating regularly.
Total of all individual donations as of Sept 9 was: \$235.84

1 commercial donation of \$500.00

The city newsletter has twice included invitations to customers to donate in this manner. Administrative labor to handle this process has so far been negligible.



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September 14, 2011

Angela Thompson
PO Box 577
Biggs, CA 95917

Subject: Tax Exempt Status for Hometown Committee

Dear Angela:

As we discussed September 9, the Hometown Committee has taken on a longer term role than originally anticipated and should now consider a way to gain tax exempt status so that donations can be tax deductible. It is the opinion of the city attorney and the city financial advisor that donations issued for Hometown referencing the City of Biggs – as with any municipality – are not tax deductible.

As I understand it, to make donations eligible for tax deductibility, the donations need to be made to an IRS-designated 501(c)3 charitable organization. The City of Biggs does not qualify, thus of course the City's tax identification number is not to be provided to future potential donors. It appears this practice may have started a few years ago under a different impression of what qualified for tax deductibility.

The process for attaining IRS 501(c)3 status maybe challenging, but I think there are attractive alternatives. One is associating with 3CORE (a regional economic development IRS 501(c)3 corporation to which the city pays annual membership); another is associating with North Valley Community Foundation (an IRS 501(c)3 organization acting as umbrella for many smaller charitable organizations). More information is available at www.3COREedc.org and www.NVCF.org.

The Hometown Committee has accomplished very impressive service for the community and City of Biggs. Many residents and visitors have a more favorable impression of Biggs based on their excellent July 4th experience here. I hope the committee's work continues to live and grow, and that we can identify the best way for donors to be rewarded for their community spirit. Please let me know if there is something I can do to help make this happen.

Regards,

Peter R. Carr
Administrator