

Utility Users Tax Ballot Measure

JULY 29, 2014
AGENDA ITEM 12.1



Overview of Utility Users Tax (UUT) Ordinance

- Original ordinance written in 1970
- 5% UUT applied to Telephone, Cable TV, Gas and Electricity services
- Maximum tax capped at \$1,000 per utility service
- Taxes collected by utility provider and remitted to the City
- Ordinance language limiting – does not adapt to changing technologies

Overview of Utility Users Tax (UUT) Ordinance

- Telephone UUT applies to services subject to Federal Excise Tax (FET)
- IRS Ruling effectively exempts FET from long distance and other services
 - Will not be able to apply UUT to these exempted services
- Technology moving away from “local exchanges”

Proposed Changes to UUT Ordinance

- Reduce UUT rate from 5% to 4.5% for all applicable Utility Services
- Expand Telephone UUT to include wireless
- Remove Maximum Tax Cap (currently at \$1,000)
- Language written to include future changes in technology
- Continue to exempt those participating in PG&E CARE program from UUT

Prepaid Wireless

- AB 1717 would allow UUT to be collected from prepaid wireless purchases
- If signed by Governor, law would put UUT rates into tiers
 - If the telecom UUT rate is more than 3.5% but less than 4.5%, the rate must be set at 3.5%
 - Recommend setting UUT at 4.5%
- The AB 1717 rate tiers only applies to Telephone UUT

Potential Results of Changes

- 10% UUT Rate Reduction for PG&E, Cable, and Other Gas and Electric
- Addresses the potential loss \$1.6 million of Telephone UUT revenue
 - Loss of revenue subject to FET ruling
 - Loss of revenue subject to changes in local exchanges
- Fair method of applying telephone UUT
 - Would apply to all telephone users, not just to those with landlines

Potential Results of Changes

Proposed UUT Rate : Reduce UUT rate by 10% to a 4.5% rate; expand base through modern ordinance that includes wireless service

Category	FY 2012/13	Est. UUT Revenue	Change	%
	Actual Revenue	under new ordinance		
PG&E	5,955,880	5,360,292	(595,588)	-10%
Telephone	1,611,779	1,830,294	218,515	14%
Wireless	-	2,861,301	2,861,301	100%
Cable TV	1,604,376	1,443,938	(160,438)	-10%
Other Gas & Electric	430,847	387,762	(43,085)	-10%
Total UUT	9,602,881	11,883,587	2,280,706	24%

Potential Results of Changes

Proposed UUT Rate : Reduce UUT rate by 10% to a 4.5% rate; Eliminate Maximum UUT cap; expand base through modern ordinance that includes wireless service

Category	FY 2012/13	Est. UUT Revenue	Change	%
	Actual Revenue	under new ordinance		
PG&E	5,955,880	6,311,075	355,195	6%
Telephone	1,611,779	1,830,294	218,515	14%
Wireless	-	2,861,301	2,861,301	100%
Cable TV	1,604,376	1,443,938	(160,438)	-10%
Other Gas & Electric	430,847	456,698	25,851	6%
Total UUT	9,602,881	12,903,306	3,300,425	34%

Proposed Ballot Q

MEASURE _____

UUT MODERNIZATION AND FAIRNESS MEASURE

Shall the Utility Users Tax Ordinance (UUT) be amended to: reduce the tax rate from 5% to 4.5%; exempt low income users; modernize the ordinance to include wireless and other technologies to treat taxpayers the same regardless of technology; and help maintain essential city services including: public safety, fire protection, youth programs, parks and recreation, street repairs and maintenance with all money staying local for services and facilities in Santa Rosa?

YES

NO

Proposed Ballot Q

To place UUT measure on ballot requires 5 votes pursuant to Government Code 53724.

Effective Date

If placed on ballot, ordinance becomes effective 10 days after majority vote declared by Council.

Also required to notify UUT service providers of changes.

Ballot Arguments

Determine if Council wishes to prepare argument in favor of ballot measure: 500 word limit.

Brought back for approval on August 5.

Council required to determine whether to allow for rebuttal argument.

Recommendation

RECOMMENDATION

The City Attorney and the Finance Department recommend that the Council, by resolution, (1) order the submission of a ballot measure to the voters at the November 4, 2014, General Municipal Election to implement proposed amendments to modernize the Utility Users Tax (“UUT”) Ordinance as directed by the City Council; (2) provide for the filing of rebuttal arguments on the measure; and (3) direct the City Attorney to prepare an impartial analysis of the measure.

The City Attorney further requests direction by the Council as to whether the City Attorney should prepare a ballot argument in support of the proposed ballot measure.

Questions