

## **Los Alamitos Measure DD**

### **FACT SHEET**

- **Tax Cut:** Measure DD is a tax cut for all individuals and businesses who are currently paying the Telephone Users Tax (TUT). It will cut the TUT for individuals and businesses in the City from 6% to 5%.
- City staff recommended that the TUT tax be adjusted from 6% to 5.5%, but the City Council wanted to further reduce the tax to 5%.
- **Modernization:** The ballot measure seeks to modernize the City's current ordinance to capture the tax on communications services that are prevalent today. It will treat all telephone and communications service users the same, regardless of the type of technology used.
- The ordinance needs to be modernized because Los Alamitos, and most California cities with TUT's, relied on federal law definitions of what specific telephone services to tax. The federal government has changed its interpretation of those definitions over time and some of the definitions are now obsolete.
- The existing ordinance speaks of coin-operated phones and wired networks, while the proposed measure addresses cellular telephones, digital networks and other modern technologies.
- **Impact on Revenues:** There is no way of knowing exactly how much revenue will be reduced as a result of the 1% tax reduction combined with the more modern language.
- The goal articulated by the City Council members when proposing the rate cut was for the city to break even or experience a small reduction in revenue so as to protect important city services such as police, public services and recreation, while still giving some tax relief to communications users.
- The revenue from the TUT is used to fund general services, including police, firefighters, street repaving, parks and senior and youth recreation programs.
- **Background:** A utility users tax or UUT is a tax levied on each user of a utility such as telephone, electricity, gas or water within the City's boundaries. The current tax is 6% of the utilities and was implemented in 1991.
- The Telephone Users Tax or TUT tax is imposed upon users of telephone services. It is collected by the supplier of those services.
- For example, residents who have telephone lines in their homes are obligated to pay the tax, but it is their telephone carrier (Verizon or AT&T) who collects the tax on by including it in their customers' telephone bills. The carriers (Verizon or AT&T) then pay the tax to the city on a monthly basis by submitting a check and summary tax remittance form.

- Since the UUT was established in Los Alamitos, communication technology has changed dramatically with cell phones, satellite communications and other media and newer technology will continue to be developed.
- Telephone billing has also changed with the advent of fixed fee calling plans and bundled plans.
- Because of these changes, some communications technologies are being taxed, some are escaping taxation altogether, while still others are being treated differently carrier to carrier based upon different interpretations of the TUT.
- **Risk of Challenge:** The existing TUT might be challenged if we continue to apply it to new technologies not specifically referenced or incorporated into the older language of the TUT ordinance.
- These issues would be resolved by voter approval of a newer, clarified ordinance such as Measure DD.
- **Other Cities:** Los Alamitos is not alone in looking to modernize a TUT ordinance and reduce the TUT. Since 2002 there have been 64 TUT measures on local ballots in California that either reduced or maintained the tax rate while modernizing the ordinance. Of the 64 cities, only 3 measures failed, while 61 were approved by voters.
- City staff researched 18 cities that had voter approved TUT ballot measures between 2007 and 2009. Those cities were chosen because it gave the City the greatest chance to compare the revenue data before and after the election, in each of those cities.
- 12 of the 18 cities were reached by phone. Overall increases and decreases in the amount of the TUT collected were more directly related to overall economic trends than the approval of the TUT ballot measure. All cities seemed to have increases in TUT revenue through 2009-10 and declines in 2010-11, regardless of when their TUT measure was approved.
- **Adoption Process:** The City Council considered this issue very carefully. The ballot measure was approved by a 4-1 vote on July 16, 2012 after considering the issue at three previous Council meetings (May 21, June 4, and June 18, 2012) and hosting two Community Workshops on June 12 and June 18, 2012). It was important to the City Council to have a balanced view of the issue.
- The tax amendment cannot be implemented without voter approval. Each registered voter in the City of Los Alamitos will have an opportunity to vote in favor or against Measure DD at the November 6 election.

## **BALLOT ARGUMENTS**

### **IN FAVOR:**

The following is the **Argument in Support of Measure DD** signed by Mayor Troy Edgar, Mayor Pro Tem Marilyn Poe, Council Member Ken Stephens and Council Member Warren Kusumoto:

- Measure DD will reduce Los Alamitos' current telephone users tax (TUT) by 1%, cutting the tax rate for residents, and modernizing the law to ensure uniform applicability for all communications technologies.
- The TUT was first adopted in 1991 and telephone technology and service plans have dramatically changed since then.
- Recent Federal regulatory decisions and court cases have created the risk that the TUT laws of most cities, relating to telecommunications, could be challenged. This would endanger \$650,000 of the city's budget. Like many other cities, Los Alamitos is updating its utility tax statute and providing residents with a tax cut as well.
- We're on the right track as we continue to improve our quality of life in Los Alamitos, but not if we let a change in technology and law eliminate TUT tax.
- In the last 4 years, our Council has stabilized and consolidated our city management, cut Council pay, reduced spending 13%, and balanced our budget every year without dipping into our reserves. We have seen a 5 year decrease in crime across the city of Los Alamitos.
- A NO vote on Measure DD would keep rates where they are and leave some individuals and businesses not paying their fair share on new communications technology, and would leave the present outdated law vulnerable to challenge.
- A YES vote on Measure DD would ensure that we can continue to provide quality services vital to Los Alamitos including police, firefighters, street repaving, and quality of life programs supporting parks, senior and youth recreation programs.

- Help us cut the telephone users tax (TUT) rate by 1% and keep Los Alamitos strong, safe and secure. Please vote YES on Measure DD.

**IN OPPOSITION:**

**No opposition argument was submitted.**