



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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February 2, 2017

Honorable Robert Garcia, Mayor  
City of Long Beach  
333 West Ocean Boulevard, 14th Floor  
Long Beach, California 90802

Dear Mayor Garcia:

## EFFECT OF MEASURE H ON CITY OF LONG BEACH'S TRANSACTIONS AND USE TAX

You have requested information from the County of Los Angeles ("County") regarding the effect of the County's Measure H on the City of Long Beach's ("City") transactions and use ("sales") tax. Measure H was drafted to ensure that it would have no impact on previously approved sales taxes in other local jurisdictions within the County, as explained below.

Approval of Measure H would authorize the County to impose a one-quarter percent (0.25%) special sales tax on the gross receipts of any retailer from the sale of all personal property in the incorporated and unincorporated territory of the County. Measure H was placed on the ballot by resolution of the County Board of Supervisors ("Board") and, if approved, will result in the enactment of Ordinance No. 2017-0001 ("Ordinance").

Proceeds from Measure H will be used to generate ongoing funding to prevent and combat homelessness within Los Angeles County, including funding mental health, substance abuse treatment, health care, education, job training, rental and housing subsidies, case management and services, emergency and affordable housing, transportation, outreach, prevention, and supportive services for homeless children, families, foster youth, veterans, battered women, seniors, disabled individuals, and other homeless adults, consistent with the strategies developed through the Homeless Initiative adopted by the Board, and as otherwise directed by the Board to address the causes and effects of homelessness.

The Ordinance provides that the County shall contract with the California State Board of Equalization ("SBE") to administer the tax. The Ordinance requires the SBE contract ensure the combined local sales tax rate limit (currently two percent) is not exceeded in any city or district such that the Measure H tax, when aggregated with all other sales taxes within the city or district subject to the combined rate limit, will (1) not cause the rate of all such taxes to exceed the combined rate limit, (2) not cause any person subject to the Measure H tax to pay more than combined rate, and (3) have no impact on the revenue received by each city and district from sales taxes previously imposed. Section 4.73.150.E of the Ordinance includes the following language:

*"To Enrich Lives Through Effective And Caring Service"*

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The Honorable Robert Garcia, Mayor  
February 2, 2017  
Page 2

When contracting with the State Board of Equalization pursuant to section 4.73.080 to administer the tax imposed by this ordinance, it shall be the County's intent and any agreement shall ensure, that the combined rate limit specified in Revenue and Taxation Code section 7251.1 is not exceeded in any district<sup>1</sup> within the County that has imposed a transactions and use tax pursuant to Part 1.6 of Division 2 of the Revenue and Taxation Code in effect on or before the effective date of this ordinance. The agreement shall include that appropriate steps are taken by the Board of Equalization to ensure that the County tax imposed by this ordinance, when aggregated with all other transactions and use taxes imposed pursuant to Part 1.6 of Division 2 of the Revenue and Taxation Code within that district, will (1) not cause the rate of the transactions and use tax within the district to exceed the combined rate limit; (2) not cause any person subject to the tax imposed by this ordinance to pay more than the legally permissible combined rate; and (3) have no impact on the revenue received by each district within the County as the result of any transactions and use tax imposed by the district on or prior to the effective date of this ordinance.

The Measure H tax will commence on the latter of the first day of the first calendar quarter that is more than 110 days after approval of Measure H or the first day of the first calendar quarter after the execution of the SBE contract ("Commencement Date"). The Measure H tax will expire ten years after the Commencement Date.

It is our understanding that the City's sales tax, approved by the voters in June 2016, imposed a ten-year sales tax beginning in January 2017, that for a period of six years will be one percent and then decrease to one-half percent for the remaining four years of the tax. If Measure H is approved, pursuant to the Ordinance, there will be no impact for any city that has a previously approved one percent sales tax, and therefore, there will be no impact on the sales tax revenue received by the City for the six years that the City's sales tax is at one percent, and there will be no impact on the sales tax rate for purchases in the City during that period of time. When the City's sales tax decreases to one-half percent, the one-quarter percent Measure H tax will be reflected in the sales tax rate for purchases in the City for the remainder of the time that Measure H is in effect. As noted above, the Measure H tax will expire ten years after it commences, if approved.

If you have any questions with respect to the above, please let me know.

Sincerely,



PHIL ANSELL  
Director, Los Angeles County Homeless Initiative

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<sup>1</sup> For purposes of the Revenue and Taxation Code, cities are included in the definition of "district."