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Long Beach, California

**ORD-30**

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September 5, 2006

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HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

RECOMMENDATION:

Declare ordinance removing obsolete references in the telephone users tax read the first time and laid over to the next regular meeting of the City Council for final reading.

DISCUSSION

For many years, the City has imposed a utility users tax (UUT) on a variety of public utilities, including long distance telephone service. During this time, the City has referenced Section 4251 of the Internal Revenue Code's federal excise tax rules in order to determine the type of telephone service exempt from the City's UUT. The effect of this interpretation was to include all long distance service, whether the charge for the service was based on time or distance. It also contained exemptions from the tax, e.g., calls by nonprofit organizations, certain military personnel, etc.

In May 2006, the IRS announced that commencing on July 31, 2006, it will be changing its interpretation of its rules to impose its federal excise tax only on long distance telephone charges based upon both time and distance. Since this interpretation is no longer compatible with the consistent interpretation that has governed the City's imposition of its UUT, it is necessary to delete the reference to the Internal Revenue Code in our Municipal Code, and specifically enumerate the services and exemptions applicable to our UUT.

Since this merely reflects the historical interpretation of the City's UUT, it will not result in any change to the amount of the UUT or the services subject to the UUT.

The amendment is shown in Attachment "A".

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TIMING CONSIDERATIONS

The revised IRS interpretation takes effect upon July 31, 2006. Therefore, this amendment is necessary to prevent any confusion as to the intent and scope of the City's telephone UUT.

FISCAL IMPACT

Since this action continues the historical interpretation of the City's UUT, this action will have no fiscal impact.

**SUGGESTED ACTION:**

Approve recommendation.

Respectfully submitted,

ROBERT E. SHANNON, City Attorney

By



HEATHER A. MAHOOD  
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HAM:fl  
Enclosures  
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