



Legislation Details (With Text)

File #: 15-0814 **Version:** 1 **Name:** FM - Examination of prepaid telephone svcs surcharge

Type: Resolution **Status:** Adopted

File created: 8/3/2015 **In control:** City Council

On agenda: 8/18/2015 **Final action:** 8/18/2015

Title: Recommendation to authorize City Manager to execute an agreement, and any amendments thereto, with the California State Board of Equalization (BOE), to facilitate the collection of revenue from local utility user taxes on prepaid mobile devices and any other local charges imposed on consumers of prepaid mobile devices; and

Adopt resolution authorizing MuniServices, LLC, to examine BOE records relating to such revenue and charges. (Citywide)

Sponsors: Financial Management

Indexes: Agreements

Code sections:

Attachments: 1. 081815-R-27sr&att.pdf, 2. RES-15-0102.pdf

Date	Ver.	Action By	Action	Result
8/18/2015	1	City Council	approve recommendation and adopt	Pass

Recommendation to authorize City Manager to execute an agreement, and any amendments thereto, with the California State Board of Equalization (BOE), to facilitate the collection of revenue from local utility user taxes on prepaid mobile devices and any other local charges imposed on consumers of prepaid mobile devices; and

Adopt resolution authorizing MuniServices, LLC, to examine BOE records relating to such revenue and charges. (Citywide)

Assembly Bill (AB) 1717 establishes a uniform, statewide collection mechanism for prepaid (non-contract) wireless services by requiring California retail stores and online retailers to collect the local Utility Users Tax (UUT) when the sales tax is collected at the time of purchase. Under AB 1717, the UUT collections will be remitted to the BOE in the same manner as sales taxes; then, the BOE will distribute the revenue to cities and counties. Wireless carriers will now collect the UUT on their prepaid sales and remit the revenue directly to the City. For administrative ease, the different UUT rates charged throughout the state have been reduced to eight tiers. The new rate tier for prepaid wireless services in Long Beach will be 4.5 percent, and the City's existing UUT rate of 5 percent will continue to apply to postpaid, contract wireless customers and other utility services. If a local jurisdiction does not enter into a collection agreement with the BOE, any local charges imposed upon prepaid mobile telephone services will not be collected by the sellers and the local jurisdiction will not receive local charge revenue. AB 1717 requires that California retailers make the necessary changes to their sales systems to collect and remit state and local taxes beginning on January 1, 2016.

The California Revenue and Taxation Code sets forth certain requirements for the disclosure of BOE records, and establishes criminal penalties for unlawful disclosure of this information. BOE requires the local legislative body to authorize, by Resolution, the employee or consultant responsible for reviewing BOE records. Authorization is requested for the City's sales tax auditing and revenue recovery consultant, MuniServices, LLC, to be allowed access to the records to verify the collection and remittance of the City's UUT revenue.

This matter was reviewed by Deputy City Attorney Amy R. Webber on August 4, 2015 and by Budget Management Officer Victoria Bell on August 6, 2015.

City Council action is requested on August 18, 2015, to comply with the AB 1717 requirement to enter into a collection agreement with the BOE before September 1, 2015.

The net impact of AB 1717 on the City's UUT revenue cannot be estimated at this time. Retail stores and online retailers are entitled to 2 percent of the UUT collected and remitted, but wireless carriers are not entitled to this compensation. The BOE will determine its cost for the implementation and audit procedures necessary to collect the UUT on behalf of local agencies, and will deduct these costs on a pro rata basis from the local revenues collected. The net UUT revenue received by the City will be deposited to the General Fund (GF) in the Citywide Activities Department (XC).

MuniServices, LLC, currently provides sales and use tax audit services to the City, and it is anticipated that additional revenue auditing services related to AB 1717 will commence in FY 16. The net cost of the additional scope of work cannot be determined until AB 1717 has been fully implemented. There is no local job impact associated with this recommendation.

Approve recommendation.

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH AUTHORIZING
THE EXAMINATION OF PREPAID MOBILE TELEPHONY SERVICES SURCHARGE AND
LOCAL CHARGE RECORDS**

**JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT**

APPROVED:

**PATRICK H. WEST
CITY MANAGER**