

## Impartial Analysis of Measure G – “The Santa Barbara Telecommunications and Video Users’ Tax Reduction and Modernization Ordinance”

Since 1970, the city of Santa Barbara has imposed a local tax known as the “Utility Users Tax” (or “UUT”) on the use of telephones and Cable TV video services. The amount of Santa Barbara’s UUT is currently six percent (6%) of a customer’s monthly bill for these types of services.

If approved by the voters, Measure G would enact a City ordinance which amends the City’s 1970’s era UUT ordinance with a modern “telecommunication and video services” ordinance. The new ordinance would also reduce the rate of the UUT on these services from 6% to 5.75%. The modernized technical definitions in the Measure G ordinance would apply to all types of telecommunication regardless of whether the communication is intrastate, interstate, or international and regardless of the technology used to provide such communications. New telecommunication services would include paging, text messaging, and private communication services (T-1 line). The new ordinance would not apply to charges for internet services, including digital downloads like music, games, and ringtones.

Santa Barbara’s existing UUT ordinance, like many similar municipal UUT ordinances throughout California, was written before the introduction of the new telecommunications and video technologies, such as cellular phones, private network communications, voice-over-internet telephone services (VoIP), and IP-video. Santa Barbara’s existing ordinance was also written before changes occurred to federal law such as the Mobile Telecommunications Sourcing Act of 2000 and a change in Internal Revenue Service regulations concerning how the Federal Excise Tax (the “FET”) applies to long-distance phone service charges. UUT ordinances enacted by other California cities which contain provisions referring to the FET (similar to that in Santa Barbara’s current UUT ordinance) have faced legal challenges to the manner in which they collect their UUT. If approved by the voters, Measure G ordinance would allow Santa Barbara’s UUT ordinance to be revised and updated in order to avoid having Santa Barbara face similar legal challenges.

Measure G also expands and clarifies the City’s tax collection procedures and the process for appealing tax calculations. Measure G would provide an annual verification by third party auditors that the tax has been properly collected and that all UUT revenues have been properly expended by the City. Measure G would continue the existing City ordinance’s provisions for low income exemptions from the UUT. Measure G would not amend the City’s UUT on gas, electricity, water, waste water, or trash services.

Based on figures from the City’s 2008 fiscal year, Santa Barbara receives about \$5.4 million a year in UUT revenues on telephone and Cable TV services. It uses half of these UUT revenues to support City general fund governmental services, such as police protection, fire fighting, and library services. It uses the other half of the UUT revenues to maintain the City street system.