

TAXES: LOCAL TELECOMMUNICATION TAXES

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I. INTRODUCTION

Local governmental units in California have the authority to levy utility users taxes, including a tax on intrastate, interstate, and international telephone, cellular or wireless communication. Not all cities and counties within California, however, have adopted this type of tax. The tax is collected from the telecommunication service provider who includes the charge on the phone bill issued to the user. The service provider then remits the tax collected to the local governmental unit that imposed the tax.

II. EXEMPTIONS

Federal, state, and local government departments, bureaus, and agencies are exempt from local telecommunications taxes.

By virtue of its status as both a State entity and a nonprofit educational institution, the University is statutorily exempt from the tax in the locations where it is imposed and the University has a presence. The University's Medical Centers are similarly exempt. See Appendix A for the imposition of the tax by city and county and the tax status for both the University and the Medical Centers.

III. PROCEDURES TO ACQUIRE TELECOMMUNICATION TAX EXEMPTION

Neither registration nor an exemption certificate is required to obtain exemption from this tax. If the University has been charged tax on the bill, the accounting officer should contact the telecommunication provider and cite the section in the local ordinance that exempts the University and the Medical Centers.

IV. REFERENCES

Telecommunication Matrix provided to Manager O'Neill by
Suzanne Henley, Deloitte and Touche LLP, on June 29, 2004.

Historical note: Original Accounting Manual chapter first
published 12/31/04. Analyst--John Barrett.

APPENDIX: TELECOM MATRIX

Selected City and County Telephone Users Tax

<u>Jurisdiction</u>	<u>Tax Imposed by City/County Code Section</u>	<u>Rate</u>	<u>University Exempt / Tax Not Applicable</u>	<u>Medical Center Exempt / Tax Not Applicable</u>
Alameda County	Gen. Ord. Code §2.12.070(A)	5.5%	Yes. Gen. Ord. Code §2.12.070(D)	Yes. Gen. Ord. Code §2.12.070(D)
Berkeley (city)	Municipal Code §7.70.050(A)	7.5%	Yes. Municipal Code §7.70.050(B)	Yes. Municipal Code §7.70.050(B)
Coronado (city)	N/A	N/A	N/A	N/A
Costa Mesa (city)	N/A	N/A	N/A	N/A
Davis (city)	N/A	N/A	N/A	N/A
Del Mar (city)	N/A	N/A	N/A	N/A
Irvine (city)	Municipal Code §2-9-704(A)	1.5%	Yes. Municipal Code §2-9-704(D)	Yes. Municipal Code §2-9-704(D)
Los Angeles (city)	City Ord. §21.1.3(a)	5% & 10%*	Yes. City Ord. §21.1.2**	Yes. City Ord. §21.1.3(d)
Los Angeles County	County Ord. §4.62.060(A)	5%	Yes. County Ord. §4.62.060(D)	Yes. County Ord. §4.62.060(D)
Newport Beach (city)	N/A	N/A	N/A	N/A
Oakland (city)	City Code §4.28.030(A)	7.5%	Unclear***	N/A
Orange County	N/A	N/A	N/A	N/A
Santa Ana (city)	Municipal Code §35-155(a)	6%	Yes. Municipal, Code §35-155(b)	Yes. Municipal Code §35-155(b)
Santa Monica (city)	Municipal Code §6.72.020(a)	10%	Yes. Municipal Code §6.72.020(b)****	Yes. Municipal Code §6.72.020(b)****
Sacramento (city)	City Code §§3.32.030(A), 3.32.040	7.5%	Unclear***	Yes. City Code §3.32.030(D)
Sacramento County	County Code §3.40.090(a)	2.5%	Yes. County Code §3.40.060(e)	Yes. County Code §3.40.060(e)
San Diego County	N/A	N/A	N/A	N/A
San Francisco (city)	Bus. & Tax Regs. Code §703(a)	7.5% *****	Yes. Bus. & Tax Regs. Code §703(d)	Yes. Bus. & Tax Regs. Code §703(d)

San Francisco County	Bus. and Tax Regs. Code §703(a)	7.5% *****	Yes. Bus. and Tax Regs. Code §703(d)	Yes. Bus. and Tax Regs. Code §703(d)
Yolo County	N/A	N/A	N/A	N/A

Footnotes

* Reduced 5% rate for non-profit educational institutions. 10% is the general rate. City Ord. §21.1.3(a).

** UC obtained a letter from the City of Los Angeles wherein it was determined that the UC system qualifies for this exemption from tax.

*** It is unclear whether UC qualifies for exemption from tax as the State of California or its agency. A letter would need to be sent to the City requesting a determination similar to what was done with the City of Los Angeles.

**** Although an exemption is statutorily provided, City has disputed exemption in the past. UC currently has a written agreement with City wherein City has agreed not to assess utility tax on UC or attempt to recover past utility tax from UC until further notice.

***** San Francisco City and County boundaries are the same. This 7.5% tax is a combined rate.

NOTE> Exemption from tax is only for services the exempt entity uses itself. Tax should be paid on services that are resold.