

**LEAGUE OF WOMEN VOTERS OF SANTA MONICA EDUCATION FUND**  
**Santa Monica Ballot Measures**  
**November 4, 2008 Election**

**Proposition SM: Telecommunications Tax – City of Santa Monica**



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**the League of Women Voters Education Fund**

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**Proposition SM: Telecommunications Tax – City of Santa Monica**

**The Question:** Should the City's Utilities User Tax (UUT) on telecommunications be continued and updated with exceptions for low-income seniors and disabled residents?

**The Situation:** The Santa Monica Utilities User Tax (UUT) was adopted in 1969 and the revenues are deposited in the City's General Fund. At the current tax rate of 10%, Santa Monica's UUT provides about \$12 million to the General Fund in fiscal year 2007-2008.

The existing law has not changed for 40 years and its interpretation and enforcement relies on policies created under the Federal Excise Tax, which was repealed in 2006. The repeal created problems for many cities because they base their UUT law on the Federal Excise Tax. Many definitions included in the law are no longer valid, and newer technology has led to inequality in applying the tax so that some individuals and businesses are not taxed the same even though they use the same or similar equipment and services. Inequalities in applying the law under the old definitions have led to law suits against some cities. The UUT has been placed on the ballot by the City of Santa Monica. It requires a majority vote of the voters to pass.

**The Proposal:**

Proposition SM proposes to update the UUT definitions and include new technologies.

It will apply the UUT to all telecommunication services regardless of the technology, equipment, or services used. For example, it will cover private communications services such as T-1 business lines and paging and add definitions to clarify that VoIP and text messaging are included.

It will remove all references to the Federal Excise Tax from Chapter 6.72 of the Municipal Code.

It will retain the current tax rate of 10%.

It will provide an exemption for low income senior citizens and for disabled persons as well as an exemption for services that cannot be taxed under federal or state law.

It will also exclude downloaded internet services and products such as music, games, ringtones, and books which are prohibited from taxation by federal law.

UUT on bundled or packaged services will depend on the practice of each individual supplier. Some suppliers make the entire package price taxable while others assign values to taxable and non-taxable items within the package and apply the tax to only the taxable items.

**The Fiscal Impact:**

If passed, the proposal makes no change in the tax rate; it remains 10%. How the ordinance would affect the individual taxpayer or business depends on several factors including the terms of the service agreement with the service provider and whether the provider must change billing and collection practices. If the proposal is not passed the financial impact on the City is undetermined, although the UUT provided about \$12 million to the General Fund in 2007-2008.

**A Yes vote means:** Voting Yes means that the City Municipal Code would be amended to include various definitions including a new definition for “telecommunication services.”

**A No vote means:** Voting No means that the City Municipal Code would not be amended.

**Supporters say:**

This is not a new tax; the tax rate will not increase.

Since 1969, Santa Monica’s citizens have paid a UUT on telephone services. In 39 years technology has changed and now it’s time to change the UUT.

Updates to the UUT will help us keep important local revenue for vital neighborhood services and avoid lawsuits that other cities have faced.

Revenues will continue support of important services such as: neighborhood police patrols; school support and after school programs; and emergency response and paramedic services. Without the UUT the City could lose some or all of the \$8-\$12 million annually that helps support these programs.

Proposition SM closes unfair loopholes and continues exemptions for low income seniors and disabled persons.

To ensure fiscal accountability City revenues are subject to annual audits.

**Opponents say:**

Santa Monica imposed its utility tax without voter approval in 1969 and now has one of the highest tax rates in California. While other cities are currently reducing and/or repealing utility taxes, Santa Monica wants to expand it.

This proposal never expires, taxes future technologies, and will cost you hundreds of dollars annually.

Santa Monica wants a 10% tax on all cellphone, satellite TV, text messaging, video, movies, internet phone calls and more. All methods of Internet, wireless, or satellite delivery will be taxed.

This scheme pours unrestricted dollars into Santa Monica’s half-billion dollar budget. Do not believe the scare tactics. The present utility tax provides the City ample revenue and voting no won’t change this. No loss of revenue will occur.

In a recent survey Santa Monica was rated the second most expensive city in California to do business. Prop SM could have a chilling effect on the very types of business—clean, green, technology-based—that we are trying to attract to our city.

Keep information free. Don’t tax internet, wireless or satellite services.

**Supporters include:**

Pam O’Connor, Santa Monica City Councilmember  
Robert Holbrook, Santa Monica City Councilmember  
Douglas Theus, Vice-President Santa Monica Police Officers Association  
Bradley Lomas, President, Santa Monica Firefighters  
Dennis Zane, Former Santa Monica Mayor, Co-Founder SMRR

**Opponents include:**

Patrick Flanagan, Internet Technology Consultant  
Priya Balachandran, Santa Monica Tenant  
Art Casillas, Santa Monica Homeowner  
Clara Benrey, School Teacher  
Lonny Moreno, High School Guidance Counselor

**For more information:**

**Yes on Proposition SM:** Pam O'Connor, City Councilmember; Robert T. Holbrook, City Councilmember

**No on Proposition SM:** No on Prop SM <http://www.KeepInformationFree.com>

**City of Santa Monica 2008 Elections Page:**

<http://www01.smgov.net/cityclerk/Election2008/English/English%20index.htm>

**City of Santa Monica Updated Information on Measure SM:**

<http://www.smgov.net/Content.aspx?id=80>