

CITY AUDITOR'S IMPARTIAL FINANCIAL ANALYSIS OF MEASURE J TELEPHONE UTILITY USER TAX MODERNIZATION

"Without raising current tax rates, shall Oakland's existing telephone utility user tax be modernized so that tax payers are treated equally regardless of technology used?"

BACKGROUND

The purpose of the measure is to obtain voter approval to amend the utility user's tax (UUT) ordinance contained in the Oakland Municipal Code. City of Oakland (City) residents and businesses are assessed a tax at a rate of 7.5% on charges for telephone communication services under the UUT ordinance. The service providers collect the telephone UUT from customers and remit the proceeds to the City.

Approval of the measure will not change the existing 7.5% tax rate applied to telephone communication charges. The measure clarifies the types of telephone communication services, and the transmission methods used to deliver them, that are subject to the tax. These services include, but are not limited to, voice, telegraph, teletypewriter, data, facsimile, video and text. However, telephone charges for internet access and downloadable digital content such as ring tones and games are not subject to the tax.

FISCAL IMPACT

Based on our analysis of data provided by the City's Finance and Management Agency, telephone UUT revenues over the last three fiscal years have averaged approximately \$20 million per year. The tax revenue is used to fund general City services. Whether telephone UUT revenues will increase with adoption of the measure is not known. However, for the immediate future, we estimate the current rate of collections averaging approximately \$20 million per year will be maintained. Although our estimates are based upon the best available data at this time, it is difficult to make such estimates with precision. Thus, the actual results may vary from our estimates.

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