

13-0002-S/21

AUG 27 2013

RESOLUTION

RULES, ELECTIONS & INTERGOVERNMENTAL RELATIONS

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies proposed to or pending before a local, state or federal governmental body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, the California State Legislature is currently considering AB 300 (Perea), a measure that would create a new "point-of-sale" system for collection of existing fees and taxes from all prepaid wireless service providers, in lieu of the current taxing system where fees and taxes are postpaid; and

WHEREAS, prepaid phone service, including prepaid calling cards, is a growing and burgeoning industry that currently accounts for nearly 25% of the wireless market and operates across jurisdictions, making it difficult to collect local business taxes and UUT; and

WHEREAS, reports are that 30% of prepaid service is sold directly to customers through the internet or over the phone, with the remaining 70% resold to customers through various retailers who originally purchase the cards on a wholesale national basis without geographic restrictions or records. Since there is subsequently no contract between a retailer and a customer, this prevents the collection of existing fees and taxes on a postpaid basis; and

WHEREAS, the Office of Finance currently has 874 accounts in its tax database that currently pay Communications Users Tax (CUT), however the data is aggregated on a gross receipts basis, so they have no mechanism for determining what portion of this amount is currently collected from prepaid wireless service providers that would be covered by AB 300; and

WHEREAS, the Office of Finance notes that there are also a large number of retail mobile telephone outlets and small retail businesses that also sell prepaid cards, but those sales are allocated to the City's "Retail" classification of business taxes, and therefore are not captured in the prepaid wireless service category; and

WHEREAS, under AB 300, all retailers would be required to collect the appropriate fees and taxes, including the State's new Prepaid Mobile Telephony Service (MTS) surcharge in lieu of the City's current CUT, at the point of sale and remit those tax revenues to the State Board of Equalization for distribution to the appropriate entities, including the City of Los Angeles; and

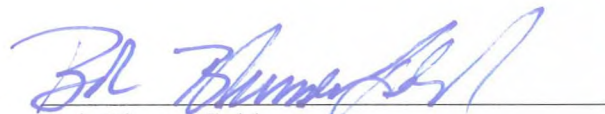
WHEREAS, the Office of Finance states that AB 300 would create a mechanism that will enable the State to confirm that the City is receiving all the revenues due from CUT service providers, including prepaid card retailers, and would have the ancillary benefit of helping the City to conduct post-collection audits in a more efficient manner since retailers would now report transactions based on the location of the original sale and since service providers will provide the State with more accurate gross receipts data.

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2013-2014 State Legislative Program SUPPORT for AB 300 (Perea), IF AMENDED to ensure that local revenues collected from prepaid wireless service providers under the new state-administered Prepaid Mobile Telephony Service (MTS) surcharge are greater than or equal to local revenues generated from prepaid wireless service providers under the City's current Communications Users Tax.

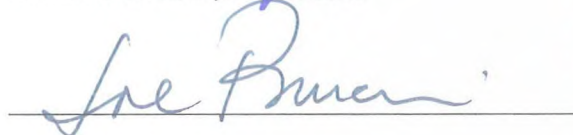


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PRESENTED BY:


Bob Blumenfield
Councilmember, 3rd District

SECONDED BY:



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