

Date of Hearing: June 15, 2016

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Susan Talamantes Eggman, Chair

SB 1422 (Glazer) – As Amended March 28, 2016

SENATE VOTE: 36-0

SUBJECT: Public utilities and other service suppliers: collection of local taxes.

SUMMARY: Clarifies that cable service providers are included in the definition for other service providers, pursuant to existing law, which limits the liabilities and responsibilities of public utilities and other service providers collecting a utility user tax. Specifically, **this bill:**

- 1) Defines "other service supplier" to include, but not be limited to, a holder of a state franchise for the provision of video service, for the purposes of existing law which defines the duties and liabilities for public utilities and other service suppliers collecting a utility user tax (UUT).
- 2) Provides that this bill does not constitute a change in, but is declaratory of existing law.

EXISTING LAW:

- 1) Authorizes a city or county to levy a UUT on the consumption of electricity, gas, water, sewer, telephone, telegraph, and cable television services.
- 2) Provides, the following, for taxes enacted by a local jurisdiction imposed on the customers of public utilities or other services suppliers, where taxes are collected by the public utilities and other service suppliers and remitted to the local jurisdiction:
 - a) Prohibits the public utility or other service supplier from having any duty to independently investigate or inquire concerning the validity of a local jurisdiction's tax ordinance;
 - b) Prohibits a public utility or other services supplier from being liable to any customer as a consequence of collecting a tax of an invalid tax ordinance;
 - c) Requires, if a local jurisdiction is ordered to refund the tax, that it be the sole responsibility of the local jurisdiction, unless a public utility or other service supplier is reimbursed for the cost, as specified;
 - d) Prohibits a public utility or other service supplier from being named as a defendant in any action challenging the tax;
 - e) Requires a local jurisdiction to notify the utility or service supplier in writing, if it adopts a new tax, or makes changes to an existing tax that would affect collection and remittance; and,
 - f) Grants a utility or service provider at least 90 days after notification to begin collecting a new tax and at least 60 days after notification to implement a change in an existing tax.

FISCAL EFFECT: None

COMMENTS:

- 1) **Bill Summary.** Existing law provides protections to public utilities and other service suppliers that collect UUTs that local governments impose on utility customers. Current law does not define "other service provider," however, the analysis provided for enacting legislation [AB 3155 (Martinez) of 1996 and SB 2143 (Hurt) of 1996] suggests the legislative intent of the protections' applicability to video service providers. This bill specifies that the definition of other service supplier includes video service providers, and states that this change is declaratory of existing law. This bill is sponsored by the California Cable & Telecommunications Association.
- 2) **Author's Statement.** According to the author, "Senate Bill 1422 seeks to clarify the definition of "other service supplier" to include a cable or video service provider. The bill would not constitute a change in current law, but would be declaratory of existing law."
- 3) **UUT.** Under current law, a city may impose a UUT on the consumption of utility services, including, but not be limited to, electricity, gas, water, sewer, telephone, sanitation and cable television. The city determines the rate of the tax and the use of its proceeds. UUTs can be imposed as a special tax dedicated for a specific purpose, or a general tax to be used for whatever purpose the city council decides. Additionally, a county may levy a UUT on the consumption of electricity, gas, water, sewer, telephone, telegraph and cable television services in the unincorporated area. The city or county determines the rate of the tax and the use of its proceeds. UUTs are collected by the utility as part of its regular billing, and then remitted to the city or county.

In California, 159 cities and three counties impose a UUT, collecting, in total, more than \$2 billion UUT revenues. In most jurisdictions, UUTs provide vital funding for municipal or county services. Reduced funding by the state and other sources of funding for local governments over the last several decades have increased the popularity of UUTs, which are most commonly used to fund police, fire, parks, and libraries.

- 4) **Arguments in Support.** Supporters argue that this bill provides clarification in existing law that exempts utilities and other service suppliers from liability for the collection of taxes that were improperly authorized by local governments.
- 5) **Arguments in Opposition.** None on file.
- 6) **Double-Referral.** This bill is double-referred to the Utilities and Commerce Committee.

REGISTERED SUPPORT / OPPOSITION:

Support

California Cable & Telecommunications Association [SPONSOR]

California Chamber of Commerce

California Taxpayers Association

Opposition

None on file

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