



City of Sebastopol

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Patrick Slayter, Mayor

COUNCIL
John Eder
Una Glass
Sarah Glade Gurney
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CITY MANAGER
Larry McLaughlin

December 15, 2014

Re: Written Notice of City of Sebastopol Utility Users' Tax Ordinance No. 1072, Chapter 3.10, Title 3, (California Public Utilities Code Sec.799)

Dear Utility Service Provider:

Please be advised that the City of Sebastopol recently amended its Utility Users' Tax ordinance (Title 3, Chapter 3.10 of the City of Sebastopol Municipal Code), which received voter approval on November 4, 2014. The ordinance reduces the tax rate from 4% to 3.75%, continues the tax on gas and electricity, and adds telecommunications, video and garbage, all at the 3.75% rate.

Please note that Ordinance No. 1072, among other things, specifically applies to **intrastate, interstate, and international telecommunication services; private communication services (e.g., T-1); paging; network charges, regardless of technology; instant and text messaging; conferencing services; prepaid and postpaid wireless and VoIP services based on the "place of primary use"**. I am also enclosing, as a clarification, administrative rulings regarding: i) application of the UUT to various surcharges; and, ii) the sourcing of "private communication services", which is similar to the sourcing rule used in the Streamlined Sales and Use Tax Agreement, as followed in a number of states.

You can find a copy of the administrative rulings and the City's newly amended utility users' tax ordinance (No. 1072) on the following website: www.uutinfo.org.

By its terms, the ordinance became effective immediately after the election results were certified by the City Council on December 2, 2014. For implementation purposes, however, state law (*California Public Utilities Code Section 799*) establishes the following rule:

If a local jurisdiction repeals the tax, reduces an existing tax rate, changes the tax base, or makes any other changes to the tax that would affect the collection and remittance of the tax, the local jurisdiction shall submit, on and after the effective date of the enactment of the change, a written notification and supply all requisite information to the public utility or service supplier, in accordance with the procedures established by the public utility or service supplier. The public utility or other service supplier shall not be required to implement the changes any earlier than 60 days from the date on which the public utility or other service provider receives the written notification and all other information required by the public utility or other service supplier. If the 60th day is not the first day of a month, then the public utility or other service provider shall implement the changes on the first day of the month following the month in which the 60th day occurs.

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Since this written notice is provided in December, 2014, you should begin collecting the 3.75% tax on gas and electricity, **by no later than March 1, 2015**, and the 3.75% tax on telecommunications, video and garbage, **by no later than April 1, 2015**. Please be sure to list on your UUT remittance form the new tax percentage, once you have implemented this change.

If you have any questions regarding the collection and application of this tax, please do not hesitate to contact me at (707) 824-4879.

Thank you for your cooperation.

A handwritten signature in blue ink that reads "Karen Cano". The signature is written in a cursive, flowing style.

Karen Cano

City of Sebastopol Administrative Services Director/ UUT Tax Administrator

**CITY OF SEBASTOPOL UTILITY USERS' TAX
ADMINISTRATIVE RULING AND INTERPRETATION (1.0)**

Authority. Pursuant to Section 3.10.040(b) and (c) of the City of Sebastopol Utility Users' Tax Ordinance (Ord. #1072), the Tax Administrator hereby adopts the following administrative ruling and administrative interpretation:

A. Administrative Ruling (Private Communication Services). The sourcing of charges for the use of private communication services shall be as follows:

- 1. Service for a separate charge related to a customer channel termination point is sourced to each level of jurisdiction in which such customer channel termination point is located.*
- 2. Service where all customer termination points are located entirely within one jurisdiction or levels of jurisdiction is sourced in such jurisdiction in which the customer channel termination points are located.*
- 3. Service for segments of a channel between two customer channel termination points located in different jurisdictions and which segment of channel are separately charged is sourced fifty percent in each level of jurisdiction in which the customer channel termination points are located.*
- 4. Service for segments of a channel located in more than one jurisdiction or levels of jurisdiction and which segments are not separately billed is sourced in each jurisdiction based on the percentage determined by dividing the number of customer channel termination points in such jurisdiction by the total number of customer channel termination points.*

Limitation. This Ruling is intended to give general guidance and should not be viewed as providing a definite answer to all factual situations, as the exact application of the tax will depend on the nature of the service, the manner in which it is billed (e.g., bundled or unbundled), and other factors that could bear on whether the communications tax is applied or not applied.

Effective and Expiration Dates. This Ruling shall automatically expire on January 1, 2020, so that the conditions then existing may be reviewed, and the Administrative Ruling may be thereafter revised, as appropriate, and then re-adopted. Nothing herein, however, shall preclude the Tax Administrator from revising or rescinding this Administrative Ruling at any time.

City of Sebastopol Administrative Services Director and UUT Tax Administrator



Karen Cano

Date: December 15, 2014

**CITY OF SEBASTOPOL UTILITY USERS TAX
ADMINISTRATIVE RULING AND INTERPRETATION (2.0)**

Authority. Pursuant to Section 3.10.040(c) and 3.10.180(b) of the City of Sebastopol Utility Users Tax Ordinance, the Tax Administrator hereby adopts the following administrative ruling and administrative interpretation:

Administrative Ruling (Universal Service, Regulatory and Administrative Cost Recovery Charges). “Charges for telecommunication services” shall include, and are not limited to, the following charges, which have been historically subject to the utility users tax:

State

California PUC User fee
Universal Lifeline Telephone Service (ULTS)
California Telenet Fund (CWTF);
California Deaf and Disabled Telecommunications Program (DDTP);
California High Cost Fund-A (CHCF-A);
California High Cost Fund-B (CHCF-B);
California Advance Service Fund (CASF)

Federal

Universal Service Fee or Universal Connectivity Fee (USF)
Federal Regulatory or Cost Recovery Fee, which may include cost recovery charges for: Federal Regulatory Fee; Telecommunications Relay Service; Number Portability and Number Pooling, among others.

“Charges for telecommunication services” shall not include the federal excise tax (FET) or the *state 911 Surcharge*, which is defined by statute to be a tax (Calif. Rev. and Tax Code Sec. 41013), and historically have not been subject to the utility users tax.

“Charges for video services” shall include: *FCC User Fee or FCC Regulatory Fee*

Limitation. This Ruling is intended to give general guidance and should not be viewed as providing a definite answer to all factual situations, as the exact application of the tax will depend on the nature of the service, the manner in which it is billed (*e.g.*, bundled or unbundled), and other factors that could bear on whether the utility users tax is applied or not applied.

Effective and Expiration Dates. This Ruling shall automatically expire on January 1, 2020, so that the conditions then existing may be reviewed, and the Administrative Ruling may be thereafter revised, as appropriate, and then re-adopted. Nothing herein, however, shall preclude the Tax Administrator from revising or rescinding this Administrative Ruling at any time.

City of Sebastopol Administrative Services Director and UUT Tax Administrator



Karen Cano

Date: December 15, 2014