

**IMPARTIAL ANALYSIS BY CITY ATTORNEY
CITY OF LA HABRA
MEASURE T**

This Measure seeks to impose a new Transactions and Use Tax in the City of La Habra at the rate of ½%. The proposed tax would apply to all retail sales transactions and uses within the City. The tax would be collected by retailers in the City in the same manner as existing State, County and City sales and use taxes and would be administered by the State Board of Equalization. In general, the sales tax in the City would effectively be increased from 7.75% to 8.25%.

The proposed tax does not apply to items not currently subject to sales tax, such as prescription medications and food purchased as groceries. Although many of the taxable items under the proposed tax are the same as existing State, County and Local sales taxes, which currently total 7.75%, not all taxable items are the same under the proposed Transactions and Use tax. For instance, items that normally would be taxable as sales that are delivered for use outside La Habra, will not pay the proposed Transaction and Use tax for La Habra. For example, machinery and automobiles that are “delivered” to a company or individual outside of La Habra will only pay the current sales tax of 7.75%, without the increased ½%. However, retail items that are purchased and used within La Habra will be subject to the tax increase. Generally, the tax will be applicable to residents and non-residents who purchase retail items for use, consumption or delivery within the City. Specifically, the particular transactions and uses to which the tax applies, and any exemptions to application of the tax, are set forth in the California Revenue and Taxation Code.

The tax is proposed to terminate on December 31, 2028, after which time the ½% sales tax increase would cease and sales tax in the City would generally return to the original 7.75%, or such other total amount that may then be in effect.

The proposed tax would provide revenue for the City’s general fund, which is used primarily for provision of the City’s basic services such as public safety, transportation, parks and other general services.

A “yes” vote on this Measure would increase the sales tax within the City by ½%, from 7.75% to 8.25%, with the ½% increase terminating on December 31, 2028

A “no” vote on this Measure would not permit an increase in the sales tax within the City by ½%, keeping the City’s sales tax at its current rate of 7.75%.

If the Measure is passed, the City will be able to use the additional revenue for general City services, including the following: police services, 911 operators, neighborhood and gang and drug awareness programs, street repair, and elderly transportation services. If the proposed tax is not approved, changes in expenditures would then have to be made accordingly by the City Council, which could include employee lay offs, consolidation of employee positions and City programs, and/or elimination or reduction of funding for selected City programs.

THE ABOVE STATEMENT IS AN IMPARTIAL ANALYSIS OF MEASURE T. IF YOU DESIRE A COPY OF THE MEASURE OR THE PROPOSED ORDINANCE PLEASE CALL THE CITY CLERK’S OFFICE AT (562) 905-9707, AND A COPY WILL BE MAILED AT NO COST TO YOU.

Dated: August 4, 2008

s/ Richard D. Jones, City Attorney

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