

**IMPARTIAL ANALYSIS BY CITY ATTORNEY
CITY OF LOS ALAMITOS
MEASURE DD**

Measure DD is submitted to the voters by the Los Alamitos City Council to: (i) reduce the rate of the City's Telephone Users Tax ("TUT") to 5%; and (ii) update the TUT so that it can be applied equally both to older telephone technology and to newer telecommunications technology.

Background.

Residents of Los Alamitos have paid the TUT on charges for telephone services since 1991. The current rate of the TUT is 6%. TUT revenues are paid into the City's general fund, which is allocated by the City Council through the annual budget for general city services and purposes.

In past years, the City of Los Alamitos, and most California cities with TUTs, relied on federal law definitions of what specific telephone services to tax, by making references to the federal law in the local laws. However, the federal government changed its interpretation of these definitions over time. Also, telephone technology has changed greatly since the adoption of the TUT. Telephone companies have introduced cell phone service, voice over internet protocol, fixed rate billing plans and many other new services and features. It is expected that telephone companies will continue to develop new forms of telecommunications technology in the future.

The Measure.

Measure DD lowers the tax rate for the TUT from the current amount of 6% to 5% and applies the tax to all telephone services regardless of technology. The City Council may not increase the TUT in the future without voter approval.

Measure DD would ratify an ordinance previously adopted by the City Council to remove references to the federal law definitions in its TUT.

Measure DD would replace older definitions with modernized language to address new technologies and to treat all phone customers the same for local tax purposes, whether they use traditional landline phones, cell phones, VOIP or some new form of telecommunication service invented in the future.

Existing prohibitions on taxing internet access under Federal law would not be affected by Measure DD.

Measure DD also requires that the City report annually on the amount of tax collected by phone carriers, paid to the City and spent by the City according to the requirements of Measure DD and other laws. These reports will be available to the public.

Measure DD requires approval of a majority of voters.

Effect.

A "yes" vote for Measure DD will approve the clarifications described above and reduce the tax rate to 5%; a "no" vote against Measure DD will leave in place the City's existing Telephone Users Tax Ordinance at the existing 6% rate.

s/ Sandra J. Levin
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