

File No. 150938

Committee Item No. 2

Board Item No. \_\_\_\_\_

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance

Date October 28, 2015

Board of Supervisors Meeting

Date \_\_\_\_\_

#### Cmte Board

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| <input type="checkbox"/>            | <input type="checkbox"/> | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report        |
| <input type="checkbox"/>            | <input type="checkbox"/> | Youth Commission Report                      |
| <input type="checkbox"/>            | <input type="checkbox"/> | Introduction Form                            |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/>            | <input type="checkbox"/> | MOU  |
| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Information Form                       |
| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Budget                                 |
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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement                           |
| <input type="checkbox"/>            | <input type="checkbox"/> | Form 126 – Ethics Commission                 |
| <input type="checkbox"/>            | <input type="checkbox"/> | Award Letter                                 |
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Completed by: Victor Young Date October 23, 2015

Completed by: \_\_\_\_\_ Date \_\_\_\_\_

1 [Agreement - State Board of Equalization - Implementation of Local Prepaid Mobile Telephony  
2 Services Collection Act]

3 **Resolution authorizing the Treasurer to execute an agreement with the State Board of**  
4 **Equalization for implementation of the Local Prepaid Mobile Telephony Services**  
5 **Collection Act, for a term to commence following Board approval, through expiration of**  
6 **the Act.**

7  
8 WHEREAS, On November 4, 2008, the voters of the City and County of San Francisco  
9 approved Proposition O, which certified that San Francisco applies its Access Line Tax and  
10 Telephone Users Tax to certain prepaid mobile telephony services; and

11 WHEREAS, The Local Prepaid Mobile Telephony Services Collection Act, mandates  
12 the Board of Equalization (Board) to administer and collect the local charges for all applicable  
13 local jurisdictions, pursuant to Revenue & Tax Code, Section 42103; and

14 WHEREAS, The Board will perform all functions incident to administration and  
15 collection of the local charges for the City and County of San Francisco; and

16 WHEREAS, The Board requires that San Francisco enter into an "Agreement for State  
17 Collection and Administration of Local Charges" prior to implementation of the Local Prepaid  
18 Mobile Telephony Services Collection Act; and

19 WHEREAS, The Board requires that the Board of Supervisors authorizes the  
20 agreement; now, therefore, be it

21 RESOLVED, That the attached "Agreement for State Collection and Administration of  
22 Local Charges" is hereby approved and the Treasurer is hereby authorized to execute the  
23 agreement; and, be it

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1           FURTHER RESOLVED, That within thirty (30) days of the Agreement being fully  
2 executed by all parties, the Treasurer shall provide the final document to the Clerk of the  
3 Board for inclusion into the official file.

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<p><b>Item 2</b> <b>File 15-0938</b></p>	<p><b>Department:</b> Office of the Treasurer-Tax Collector (OTTC)</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objectives</b></p>	
<ul style="list-style-type: none"> <li>• The proposed resolution would authorize the City’s Office of the Treasurer/Tax Collector to execute an agreement with the State Board of Equalization (BOE) for implementation of the Local Prepaid Telephony Services Collection Act.</li> </ul>	
<p style="text-align: center;"><b>Key Points</b></p>	
<ul style="list-style-type: none"> <li>• AB 1717, passed by the California State Assembly in September 2014, established the Local Prepaid Mobile Telephony Services Collection Act, which transfers responsibility for collecting taxes for local prepaid mobile telephone services from local jurisdictions to the BOE.</li> <li>• In FY 2014-15, the Office of the Treasurer/Tax Collector collected a combined total of \$101,746,619 for the Telephone Utility Users Tax and the Access Line Tax from suppliers of mobile telephone services, VoIP services, and landline services in the City.</li> <li>• Approximately 50 percent of these revenues are assumed to be collected from users of mobile services.</li> </ul>	
<p style="text-align: center;"><b>Fiscal Impact</b></p>	
<ul style="list-style-type: none"> <li>• Collection of taxes for prepaid mobile services by the BOE is contingent on passage of the proposed resolution and a separate determination by the BOE that the City’s Telephone Utility Users Tax and the Access Line Tax apply to prepaid mobile telephone services. Contingent on these factors, the Controller’s Office estimates that implementation of AB 1717 will likely result in a range from a low of \$2.5 million to a high of \$5 million in additional annual tax revenue over the term of the Local Prepaid Telephony Services Collection Tax.</li> <li>• Assuming that the Local Prepaid Telephony Services Collection Tax is repealed on January 1, 2020, implementation of AB 1717 could result in additional City General Fund revenues of approximately \$10 million to \$20 million over the four-year term of the agreement.</li> </ul>	
<p style="text-align: center;"><b>Recommendation</b></p>	
<ul style="list-style-type: none"> <li>• Approve the proposed resolution.</li> </ul>	

**MANDATE STATEMENT**

City Charter Section 9.118(a) states that agreements entered into by a department, board, or commission that have anticipated revenues of \$1 million or more are subject to Board of Supervisors approval.

**BACKGROUND**

In November 2008, the voters of the City and County of San Francisco (the City) approved Proposition O, which authorized the City to expand collection of its Access Line Tax and Telephone Utility Users Tax to mobile telephone services and voice over internet protocol (VoIP) services to address dwindling revenues from decreasing use of landline telephones. Since then, the City's Office of the Treasurer/Tax Collector has collected the Telephone Utility Users Tax and the Access Line Tax from suppliers of mobile telephone services, VoIP services, and landline services.<sup>1</sup> The Telephone Utility Users Tax rate is 7.5 percent of charges for telephone communication services. The Access Line Tax is currently charged at a monthly rate of \$3.09 per access line and is adjusted annually.

In FY 2014-15, the Office of the Treasurer/Tax Collector collected a combined total of \$101,746,619 for the Telephone Utility Users Tax and the Access Line Tax from suppliers of mobile telephone services, VoIP services, and landline services in the City. According to Mr. Drew Murrell, Revenue Manager in the Controllers' Office of Budget & Analysis, approximately 50 percent<sup>2</sup> of these revenues are assumed to be collected from users of mobile services.

In September 2014, the California State Legislature passed Assembly Bill (AB) 1717, which established the Local Prepaid Mobile Telephony Services Collection Act (Local Prepaid Act). Adoption of the State's Local Prepaid Act precludes the City from collecting the Telephone Utility Users Tax and the Access Line Tax from prepaid mobile users after January 1, 2016. At that time, responsibility for collecting taxes for local prepaid mobile telephone services will transfer to the State Board of Equalization (BOE), which will then allocate the share of tax revenues owed to San Francisco.

**DETAILS OF PROPOSED LEGISLATION**

The proposed resolution would authorize the City's Office of the Treasurer/Tax Collector to execute an agreement with the BOE for implementation of the Local Prepaid Telephony Services Collection Act in order that the City receives its correct share of the prepaid mobile Telephone Utility Users Tax and the Access Line Tax revenues from the State.

The term of the agreement will be approximately four years, from the first day of the calendar quarter following approval of the agreement between the City and the BOE (either January 1, 2016 or April 1, 2016) through January 1, 2020, when the Local Prepaid Act is scheduled for

<sup>1</sup> Residential landline telephone services are exempt from the Telephone Utility Users Tax in San Francisco.

<sup>2</sup> Mr. Murrell advises that tax receipts do not currently indicate the type of user. The 50 percent estimate is based on observations in other localities and may be somewhat higher or lower in San Francisco.

repeal. If the repeal date is extended by the State Legislature, this agreement will continue through the new date authorized by the State.

### **FISCAL IMPACT**

Collection of taxes for prepaid mobile services by the BOE is contingent on passage of the proposed resolution and a separate determination by the BOE that the City's Telephone Utility Users Tax and the Access Line Tax apply to prepaid mobile telephone services. Contingent on these factors, the BOE will collect the Telephone Utility Users Tax at a rate of 7.5 percent of charges for telephone communication services and the Access Line Tax will be collected at a new rate of 6.3 percent of service charges for access lines. The Telephone Utility Users Tax rate will remain unchanged from the current rate collected by the City's Office of the Treasurer/Tax Collector and the Access Line Tax will be converted from the monthly rate of \$3.17 per access line collected by the City's Office of the Treasurer/Tax Collector to 6.3 percent of service charges per line.

Some municipal government consulting firms estimate that implementation of AB 1717 will result in higher mobile Telephone Utility Users Tax and Access Line Tax revenues by capturing additional retail sales of prepaid mobile telephone services. For example, MuniServices, a municipal revenue enhancement consulting firm, estimates that AB 1717 will increase average revenues by approximately 20 percent to local jurisdictions in California. However, according to Ms. Amanda Fried, Policy and Legislative Manager in the Office of the Treasurer/Tax Collector, the City has expanded its audit and enforcement efforts to increase compliance with the Telephone Utility Users Tax and Access Line Tax for prepaid mobile services. Such enhanced audit and enforcement activities will likely reduce the increase in tax revenue that the City can expect as a result of AB 1717.

Mr. Murrell advises that the Controller's Office estimates that as a result of AB 1717, Telephone Utility Users Tax and Access Line Tax revenues from prepaid mobile collections in San Francisco will increase by less than 10 percent. Assuming that approximately 50 percent of San Francisco's revenues are from mobile services, implementation of AB 1717 is estimated to result in additional Telephone Utility Users Tax and Access Line Tax revenues received by the City of up to \$5 million annually.

The maximum estimated annual increase in collections is equal to the FY 2014-15 collections multiplied by the percentage of tax collections from mobile services multiplied by the estimated increase in prepaid mobile collections, or \$101,746,619 times 50 percent times 10 percent. Therefore, the maximum estimated annual increase in collections is \$5,087,331.

According to Mr. Murrell, it is not known how much the BOE will deduct from collections for their administrative expenses incurred in collection of the taxes. MuniServices estimates that the administrative fee deductions will likely be between 6 and 8 percent of collections for the City, or approximately \$305,240 to \$406,986 of the maximum estimated annual increase in collections of \$5,087,331. Therefore, if the City receives the maximum amount of \$5,087,331 annually in additional Telephone Utility Users Tax and Access Line Tax revenues, it is estimated the City will receive between \$4,680,345 and \$4,782,091 annually in adjusted tax revenues as a result of AB 1717. However, given the uncertainty about the actual amount of additional

prepaid mobile collections and the high-end estimate provided above, the Controller's Office estimates that implementation of AB 1717 will likely result in a range from a low of \$2.5 million to a high of \$5 million in additional annual tax revenue over the term of the Local Prepaid Tax. Therefore, assuming that the Local Prepaid Tax is repealed on January 1, 2020, implementation of AB 1717 could result in additional City General Fund revenues totaling \$10 million to \$20 million over the four-year term of the agreement.

**RECOMMENDATION**

Approve the proposed resolution.

Office of the Treasurer & Tax Collector  
City and County of San Francisco



José Cisneros, Treasurer

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**TO:** Angela Calvillo, Clerk of the Board of Supervisors  
**FROM:** Amanda Fried, Policy and Legislative Manager  
**DATE:** September 21, 2015  
**SUBJECT:** Resolution authorizing the Tax Collector to execute agreement with the State Board of Equalization for implementation of the Local Prepaid Mobile Telephony Services Collection Act

Attached please find the original and one copy of a Resolution authorizing the Tax Collector to execute agreement with the State Board of Equalization for implementation of the Local Prepaid Mobile Telephony Services Collection Act.

A copy of the agreement as drafted by the State Board of Equalization is attached.

Given the routine nature of this resolution, the Office of the Treasurer-Tax Collector requests that it be referred for adoption without committee reference.

Departmental representative to receive a copy of the adopted resolution:

**Name:** Amanda Fried **Phone:** 554-0889

**Interoffice Mail Address:** City Hall Room 140

**Certified copy required** Yes  No

(Note: certified copies have the seal of the City/County affixed and are occasionally required by funding agencies. In most cases ordinary copies without the seal are sufficient).



**AGREEMENT FOR STATE COLLECTION AND ADMINISTRATION OF  
LOCAL CHARGES**

This Agreement is for the purpose of implementing the Local Prepaid Mobile Telephony Services Collection Act (Part 21.1, commencing with Section 42100) of Division 2 of the Revenue and Taxation Code), hereinafter referred to as the Local Charge Act. The City and County of San Francisco insert name of local jurisdiction and the State Board of Equalization, hereinafter called the Board, do agree as follows:

**ARTICLE I  
DEFINITIONS**

Unless the context requires otherwise, wherever the following terms appear in this Agreement they shall be interpreted to mean the following:

**A. “Administrative Expenses”** means all expenses incurred by the Board in the administration and collection of the local charges, including preparation and wind down costs which are reimbursable to the Board from the revenues collected by the Board on behalf of the local jurisdiction.

**B. “Contingent Fee”** includes, but is not limited to, a fee that is based on a percentage of the tax liability reported on a return, a fee that is based on a percentage of the taxes owed, or a fee that depends on the specific tax result attained.

**C. “Direct Seller”** means a prepaid Mobile Telephony Service (MTS) provider or service supplier, as defined in section 41007, that makes a sale of prepaid mobile telephony services directly to a prepaid consumer for any purpose other than resale in the regular course of business. A direct seller includes, but is not limited to, a telephone corporation, a person that provides an interconnected Voice over Internet Protocol (VoIP) service, and a retailer as described in section 42004(b)(1).

**D. “Local Charges”** means a utility user tax imposed on the consumption of prepaid mobile telephony services, as described in section 42102, and charges for access to communication services or to local “911” emergency telephone systems imposed by a local jurisdiction, as described in section 42102.5.

**E. “Local Jurisdiction” or “local agency”** means a city, county, or city and county, which includes a charter city, county, or city and county of this State, which has adopted an ordinance imposing a local charge of the kind described in Part 21.1 of Division 2 of the Revenue and Taxation Code and has entered into a contract with the Board to perform all functions incident to the collection of the local charges.

**F. “Ordinance”** means an ordinance of a local jurisdiction imposing a local charge, including any local enactment relating to the filing of a refund or a claim arising under the ordinance, attached hereto, as amended from time to time.

**G. “Quarterly local charges”** means the total amount of local charges transmitted by the Board to a local jurisdiction for a calendar quarter, as set forth in section 42106(a)(1).

**H. “Refund”** means the amount of local charges deducted by the Board from a local jurisdiction’s quarterly local charges in order to pay that jurisdiction’s share of a local charge refund due to one taxpayer.

**I. “Section”** – all section references are to the Revenue and Taxation Code.

**J. “Seller”** means a person that sells prepaid mobile telephony service to a person in a retail transaction.

## **ARTICLE II BOARD ADMINISTRATION AND COLLECTION OF LOCAL CHARGES**

**A. Administration.** The Board and the local jurisdiction agree that the Board shall perform functions incident to the collection of the local charges from sellers that are not direct sellers.

**B. Collection.** The Board shall collect the local charges in the same manner as it collects the prepaid MTS Surcharge in the Prepaid Mobile Telephony Services Surcharge Collection Act, subject to specified limitations in the Local Charge Act for which the local jurisdiction is responsible, as set forth in Article III of this Agreement.

**C. Audits.** The Board’s audit duties shall be limited to verification that the seller that is not a direct seller complied with the Local Charge Act.

**D. Other applicable laws.** The Board and the local jurisdiction agree that all provisions of law applicable to the administration and operation of the Local Charge Act, Prepaid Mobile Telephony Services Surcharge Collection Act, and the Fee Collection Procedures Law (FCPL) shall be applicable to the collection of local charges. References in the FCPL to feepayer include a person required to pay the local charge, including the seller. All future amendments to applicable laws are automatically incorporated into this Agreement.

**E. Deposit of Local Charges.** All local charges collected by the Board shall be deposited in the Local Charges for Prepaid Mobile Telephony Services Fund in the State Treasury to be held in trust for the local taxing jurisdiction. Local charges shall consist of all taxes, charges, interest, penalties, and other amounts collected and paid to the Board, less payments for refunds and reimbursement to the Board for expenses incurred in the administration and collection of the local charges, including preparation and wind-down costs.

**F. Allocation of Expenses.** The Board shall allocate the total combined annual expenses incurred for administration and collection pursuant to the Prepaid Mobile Telephony Services Surcharge Collection Act and the Local Charge Act on a pro rata basis according to revenues collected for: (1) the emergency telephone users surcharge portion of the prepaid MTS surcharge, (2) the Public Utilities Commission surcharges

portion of the prepaid MTS surcharge, and (3) local charges. The Board shall charge a local jurisdiction its pro rata share of the Board's cost of collection and administration.

**G. Transmittal of money.** All local charges collected by the Board shall be transmitted to the local jurisdiction once in each calendar quarter. Transmittals may be made by mail or by deposit to the account of the local jurisdiction in a bank designated by that jurisdiction. The Board shall furnish a statement quarterly indicating the amounts paid and withheld for expenses of the Board.

**H. Rules.** The Board shall prescribe and adopt such rules and regulations as in its judgment are necessary or desirable for the administration and collection of local charges and the distribution of the local charges collected.

**I. Security.** The Board agrees that any security which it hereafter requires to be furnished under the FCPL section 55022 will be upon such terms that it also will be available for the payment of the claims of the local jurisdiction for local taxes owing to it as its interest appears. The Board shall not be required to change the terms of any security now held by it, and the local jurisdiction shall not participate in any security now held by the Board.

**J. Records of the Board.**

1. Information obtained by the local jurisdiction from the examination of the Board's records shall be used by the local jurisdiction only for purposes related to the collection of the prepaid mobile telephony services surcharge and local charges by the Board pursuant to this Agreement.

2. When requested by resolution of the legislative body of a local jurisdiction, the Board shall permit any duly authorized officer or employee or other person designated by that resolution to examine any information for its own jurisdiction that is reasonably available to the Board regarding the proper collection and remittance of a local charge of the local jurisdiction by a seller, including a direct seller, subject to the confidentiality requirements of sections 7284.6, 7284.7 and 19542. (sections 42110(b), 42103(e).).

3. The resolution of the local jurisdiction shall certify that any person designated by the resolution, other than an officer and an employee, meets all of the following conditions:

- a. Has an existing contract with the local jurisdiction that authorizes the person to examine the prepaid MTS surcharge and local charge records.
- b. Is required by that contract with the local jurisdiction to disclose information contained in or derived from, those records only to an officer or employee of the local jurisdiction authorized by the resolution to examine the information.
- c. Is prohibited by that contract from performing consulting services for a seller during the term of that contract.
- d. Is prohibited by that contract from retaining information contained in, or derived from, those prepaid MTS surcharge and local charge records, after that contract has expired.

4. Any third party contract between the local jurisdiction and an entity or person authorized by the local jurisdiction to request information from the Board shall be subject to the following limitations:

a. Any third party shall, to the same extent as the Board, be subject to Section 55381, relating to unlawful disclosures.

b. A third party contract shall not provide, in whole or in part, in any manner a contingent fee arrangement as payment for services rendered.

5. Information obtained by examination of Board records shall be used only for purposes related to the collection of the prepaid MTS surcharge and local charges by the board pursuant to the contract, or for purposes related to other governmental functions of the local jurisdiction set forth in the resolution.

6. If the Board believes that any information obtained from the Board's records related to the collection of the prepaid MTS surcharge and local charges has been disclosed to any person not authorized or designated by the resolution of the local jurisdiction, or has been used for purposes not permitted by section 42110(b), the board may impose conditions on access to its local charge records that the board considers reasonable, in order to protect the confidentiality of those records. (section 42110 (c).)

7. The costs incurred by the Board in complying with a request for information shall be deducted by the Board from those revenues collected by the Board on behalf of the local jurisdiction making the request, as authorized by section 42110(b)(1).

**ARTICLE III  
LOCAL JURISDICTION  
ADMINISTRATION AND RESPONSIBILITIES**

**A. The local jurisdictions shall be solely responsible for all of the following:**

1. Defending any claim regarding the validity of the ordinance in its application to prepaid mobile telephony service. The claim shall be processed in accordance with the provisions of the local ordinance that allows the claim to be filed.

2. Interpreting any provision of the ordinance, except to the extent specifically superseded by section 42105 of the Local Charge Act. The claim shall be processed in accordance with the provisions of the local enactment that allows the claim to be filed.

3. Responding to specified consumer claims for refund involving: (1) rebutting the presumed location of the retail transaction; (2) a consumer claim of exemption from the local charge under the ordinance; or (3) any action or claim challenging the validity of a local tax ordinance, in whole or part. The claim shall be processed in accordance with the provisions of the local enactment that allows the claim to be filed.

4. Refunding the taxes in the event a local jurisdiction or local government is ordered to refund the tax under the local ordinance.

5. Reallocating local charges as a result of correcting errors relating to the location of the point of sale of a seller or the known address of a consumer, for up to two past quarters from the date of knowledge.

6. Collecting local charges on prepaid mobile telephony service and access to communication services or access to local 911 emergency telephone systems imposed on direct sellers.

7. Enforcement, including audits, of the collection and remittance of local charges by direct sellers pursuant to the ordinance.

8. The local jurisdiction shall be the sole necessary party defendant on whose behalf the local charge is collected in any action seeking to enjoin collection of a local charge by a seller, in any action seeking declaratory relief concerning a local charge, in any action seeking a refund of a local charge, or in any action seeking to otherwise invalidate a local charge. There shall be no recovery from the State for the imposition of any unconstitutional or otherwise invalid local charge that is collected under the Local Act.

9. Entering into an agreement with the Board to perform the functions incident to the collection of the local charges imposed on sellers that are not direct sellers.

10. Submitting an executed Certification to the Board, certifying that:

(a) the local jurisdiction's ordinance applies the local charge to prepaid mobile telephony services;

(b) the amount of the rate charged for access to local 911 emergency telephone systems or access to communications services complies with the requirements of section 42102.5; and/or applies the tiered rate for the utility user tax, as identified in section 42102.

(c) The local jurisdiction shall further certify that it agrees to indemnify and to hold harmless the Board, its officers, agents, and employees for any and all liability for damages that may result from the Board's collection pursuant to this Agreement.

11. Submitting signed documents to the Board to include agreement(s), certification, copy of ordinance(s), and resolution(s).

12. Providing payment to the Board of the local jurisdiction's pro rata share of the Board's cost of collection and administration as established pursuant to subdivision (e) of section 42020.

**ARTICLE IV  
LOCAL CHARGES**

**A. Local Charges – Timeliness – This part shall remain in effect until proposed California Code of Regulations, title 18, section 2460 is adopted by the Board and approved by the Office of Administrative Law.**

**1. Ordinances in effect as of September 1, 2015.**

On or after January 1, 2016, a local charge imposed by a local jurisdiction on prepaid mobile telephony services shall be collected from the prepaid consumer by a seller at the same time and in the same manner as the prepaid MTS surcharge is collected under Part 21 (commencing with section 42001) provided that, on or before September 1, 2015, the local jurisdiction enters into a contract with the Board pursuant to section 42101.5. Thereafter, all subsequently enacted local charges, increases to local charges, or other changes thereto, shall become operative pursuant to paragraphs (2), (3), and (4).

2. New charges. When a local jurisdiction adopts a new local charge after September 1, 2015, the local jurisdiction shall enter into a contract with the Board, pursuant to section 42101.5, on or before December 1<sup>st</sup>, with collection of the local charge to commence April 1<sup>st</sup> of the next calendar year.

3. **Increases in local charges.** When a local jurisdiction increases an existing local charge after September 1, 2015, the local jurisdiction shall provide the Board written notice of the increase, on or before December 1<sup>st</sup>, with collection of the local charge to commence April 1<sup>st</sup> of the next calendar year.

4. **Inaccurate rate posted on the Board’s website.** When a local jurisdiction notifies the Board in writing that the rate posted on the Board’s Internet Web site (posted rate) for a local charge imposed by that local jurisdiction is inaccurate, including scenarios where the local charge was reduced or eliminated, the recalculated rate applicable to the local jurisdiction shall become operative on the first day of the calendar quarter commencing more than 60 days from the date the Board receives the local jurisdiction’s written notification that the posted rate is inaccurate.

**A. Local Charges – Timeliness – This part shall take effect and supersede the above “Local Charges – Timeliness section when California Code of Regulations, title 18, section 2460 is adopted by the Board and approved by the Office of Administrative Law.**

**1. Ordinances in effect as of September 1, 2015.** On or after January 1, 2016, a local charge imposed by a local jurisdiction on prepaid mobile telephony services shall be collected from the prepaid consumer by a seller at the same time and in the same manner as the prepaid MTS surcharge is collected under Part 21 (commencing with section 42001) provided that, on or before September 1, 2015, the local jurisdiction enters into a contract with the Board pursuant to section 42101.5.

In the event a local jurisdiction does not enter into a contract with the Board by September 1, 2015, the local jurisdiction may enter into a contract with the Board, pursuant to section 42101.5, on or before December 1<sup>st</sup>, with collection of the local charge to commence April 1<sup>st</sup> of the next calendar year. Thereafter, all subsequently

enacted local charges, increases to local charges, or other changes thereto, shall become operative pursuant to paragraphs (2), (3), (4) and (5) of this subdivision.

**2. New charges.** When a local jurisdiction adopts a new local charge after September 1, 2015, the local jurisdiction shall enter into a contract with the Board, pursuant to section 42101.5, on or before December 1<sup>st</sup>, with collection of the local charge to commence April 1<sup>st</sup> of the next calendar year.

**3. Increases in local charges.** When a local jurisdiction increases an existing local charge after September 1, 2015, the local jurisdiction shall provide the Board written notice of the increase, on or before December 1<sup>st</sup>, with collection of the local charge to commence April 1<sup>st</sup> of the next calendar year.

**4. Advance written notification.** When a local charge is about to expire or decrease in rate, the local jurisdiction imposing the local charge shall notify the Board in writing of the upcoming change, not less than 110 days prior to the date the local charge is scheduled to expire or decrease. The change shall become operative on the first day of the calendar quarter commencing after the specified date of expiration or decrease in rate.

If advance written notice is provided less than 110 days prior to the specified date of expiration or decrease in rate, the change shall become operative on the first day of the calendar quarter commencing more than 60 days after the specified date of expiration or decrease.

**5. Inaccurate Rate Posted on the Board's Web site.** When a local jurisdiction notifies the Board in writing that the rate posted on the Board's Internet Web site (posted rate) for a local charge imposed by that local jurisdiction is inaccurate, including scenarios where the local charge was reduced or eliminated and the local jurisdiction failed to provide advance written notice pursuant to paragraph 4 of this subdivision, the recalculated rate applicable to the local jurisdiction shall become operative on the first day of the calendar quarter commencing more than 60 days from the date the Board receives the local jurisdiction's written notification that the posted rate is inaccurate. The local jurisdiction shall promptly notify the Board in writing of any such discrepancies with the posted rate that are known or discovered by the local jurisdiction.

## **ARTICLE V COMPENSATION**

The local jurisdiction agrees to pay the Board its pro rata share of the Board's cost of collection and administration of the local charges, as established pursuant to section 42020, subdivision (e). Such amounts shall be deducted from the local charges collected by the Board for the local jurisdiction.

## **ARTICLE VI MISCELLANEOUS PROVISIONS**

**A. Communications.** Communications and notices may be sent by first-class United States Mail. A notification is complete when deposited in the mail. Communications and notices to be sent to the Board shall be addressed to:

State Board of Equalization  
P.O. Box 942879 MIC: 27  
Sacramento, California 94279-0001

Attention: Supervisor,  
Local Revenue Allocation Unit

Communications and notices to be sent to the local jurisdiction shall be addressed to:

Loretta Lieberman  
BUSINESS TAX SECTION  
P.O. BOX 7425  
SAN FRANCISCO, CA 94120-7425

**B. Term.** The date of this Agreement is the date on which it is approved by the Department of General Services. The Agreement shall take effect on the first day of the calendar quarter next succeeding the date of such approval, but in no case before the operative date of the local jurisdiction's ordinance, nor on a day other than the first day of a calendar quarter. This Agreement shall be renewed automatically from year to year until January 1, 2020, when the Local Charge Act is repealed, unless a statute enacted prior to that date extends that date. In such event, this Agreement will continue to renew automatically from year to year to the date authorized by statute.

**STATE BOARD OF EQUALIZATION**

By \_\_\_\_\_  
Administrator,  
Return Analysis and Allocation Section

LOCAL  
JURISDICTION City and County of San Francisco

By \_\_\_\_\_  
*(Signature on this line)*

David Augustine  
\_\_\_\_\_  
*(Type name here)*

Tax Collector  
\_\_\_\_\_  
*(Type title here)*