

Utility Users Tax

Description

Non-residential consumption of telephone services, electricity, natural gas, steam and water in the City and County of San Francisco is subject to the Utility Users Tax. The tax is also levied on cellular telephone charges for both non-residential and residential users. Utility Users Tax is collected from the consumers by the service providers, and then remitted to the City on a monthly basis.

Telephone and water lifeline users or gas and electricity baseline users are exempt from the Utility Users Tax. An exemption (for services other than cellular services) also applies to all residential customers, insurance companies, government and other authorities, foreign consulates and their employees, the American Red Cross, and utility service suppliers providing the service.

Size¹

FY 2004-05: Budget \$66.29 million, or approximately 3.1 percent of General Fund resources.

FY 2003-04: Actual \$70.94 million, or approximately 3.4 percent of General Fund resources.

FY 2002-03: Actual \$71.38 million, or approximately 3.6 percent of General Fund resources.

FY 2001-02: Actual \$70.78 million, or approximately 3.6 percent of General Fund resources.

FY 2000-01: Actual \$77.17 million, or approximately 3.9 percent of General Fund resources.

Authorizing Statute(s)

Business Tax and Regulations Code, Article 10, Sections 701-720

Residential exemptions are outlined in Section 707.1.

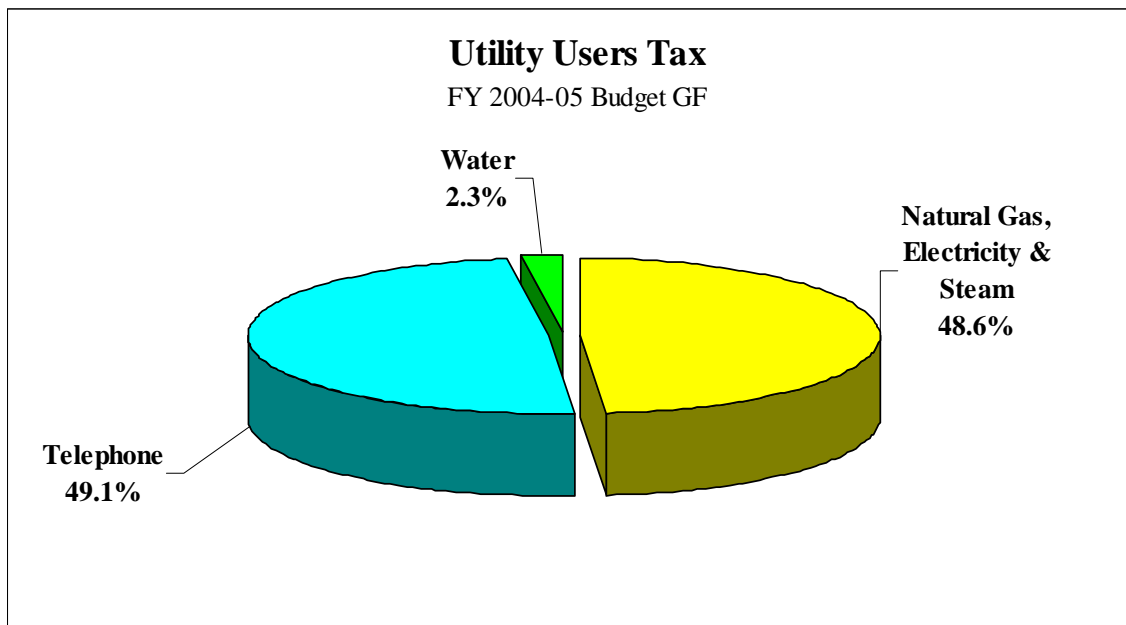
Collection Method and Issues

Each month, each service supplier files a return and remits the full amount of the tax collected during the preceding month to the Tax Collector.

Revenue Base

Taxes are levied upon non-residential energy utility charges, non-residential water charges, and non-residential telecommunication charges. Effective September 1, 1993, the telephone utility users tax also applies to charges for cellular telephone service or enhanced specialized mobile radio communication service when the service user has a billing address in the City and County of San Francisco. FY 2004-05 budgeted revenue is comprised of the following components.

¹ Resources are defined as operating revenues and transfers in.



Utility Users Tax is an important element in the funding of city services. According to League of California Cities January 2001 Survey on Utility User Tax revenues and rates, there are 153 cities in California levying Utility Users Tax. On average, California Utility Users Tax provides 15% of general-purpose revenue (discretionary) in cities that levy it. In some cities, Utility Users Tax provides close to one-third of the general fund (Richmond – 29%, Los Angeles – 28%, Stockton – 28%, Pasadena – 27%). For FY 2004-05, Utility Users Tax represented 3.1% of General Fund resources for San Francisco.

Tax/Rate Structure

The tax rate is 7.5 percent on charges for services, including minimum charges for services. For example, if a utility user’s total PG&E energy charges are \$100 in a given month, then the total bill will be \$107.50, with \$7.50 being remitted to the City by the service provider. A comparison of the Utility Users Tax rates of the 10 largest cities in California and neighboring jurisdictions shows that the average (mean) is 7.6% and the median is 7.5%.

Utility Users Tax - Rate Comparisons

		Non-Residential				
10 Largest California Cities	Population[1]	Electricity Tax Rate	Natural Gas Tax Rate	Telephone Tax Rate	Water Tax Rate	Cable TV Tax Rate
Los Angeles	3,694,820	10.00%	10.00%	10.00%	N/A	N/A
San Diego	1,223,400	N/A	N/A	N/A	N/A	N/A
San Jose	894,943	5.00%	5.00%	5.00%	5.00%	N/A
San Francisco	776,733	7.50%	7.50%	7.50%	7.50%	N/A
Long Beach	461,522	10.00%	10.00%	10.00%	10.00%	N/A
Fresno	427,652	N/A	N/A	N/A	N/A	N/A
Sacramento	407,018	7.50%	7.50%	7.50%	N/A	7.50%
Oakland	399,484	7.50%	7.50%	7.50%	N/A	7.50%
Santa Ana	337,977	6.00%	6.00%	6.00%	6.00%	N/A
Anaheim	328,014	N/A	N/A	N/A	N/A	N/A
Average (Mean) of 10 Largest Cities		7.70%	7.70%	7.70%	7.83%	7.50%
Median of Largest Cities		7.50%	7.50%	7.50%	7.50%	7.50%

Source Data & Notes

[1] 2000 Census Data from CA Dept. of Finance Website (10/21/2003)

Among the 153 cities in California currently levying a utility user tax, the tax rates range from 1% to 18%. In some cities different rates apply to residential versus commercial users. The most common rate (the mode) is 5%, applied broadly among many types of utilities. The average (mean) is 5.6%, whereas the median is 5%.

Trends and Projections

Utility User Tax revenue is impacted by commodity prices and consumption primarily. Surges in natural gas and electricity prices have significantly affected some years' revenues. Revenue from the telephone users portion, however, has been harder hit by the downturn as both landline and cellular phone companies have suffered from the decline in the business sector consumption driven by layoffs and decreased demand generally. The FY 2004-05 Budget assumes a flat projection of water-related revenues, which represent approximately 2.0 percent of utility users tax revenues, a 3 percent growth in telecommunications, and a combined 6.3 percent drop in natural gas and electricity. The net decline in energy is driven by PG&E's bankruptcy court approved restructuring plan, which includes average electric rate reductions of 9 to 15 percent for commercial utility users.

Sensitivities

This revenue is affected primarily by electricity and natural gas price fluctuations, consumption patterns, energy conservation, and changes in government regulation. Additionally job growth or layoffs can also significantly impact both the landline and cellular telephone components of this revenue.