



# CITY OF CULVER CITY

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June 22, 2015

The Honorable Dianne Feinstein  
United States Senate  
331 Hart Senate Office Building  
Washington, D.C. 20510

The Honorable Barbara Boxer  
United States Senate  
112 Hart Senate Office Building  
Washington, D.C. 20510

**Subject: Internet Tax Freedom Act (ITFA) - Reject a Permanent ITFA Extension in H.R. 235 and S. 431; Support Alternative Amendments to Correct an Overreach to Telecommunication Services**

Dear Senator Feinstein and Senator Boxer:

On June 9, 2015 the House of Representatives passed H.R. 235 entitled the Internet Tax Freedom Forever Act (ITFFA). The Senate has a similar bill, S. 431, for consideration. The City of Culver City joins many other California cities in strongly **opposing** these two bills as currently written. We are very concerned with their over-breadth, since they both go beyond Internet access and extend to telecommunication services, which have been historically subject to our local tax. These two bills would have the effect of preempting our state Constitution (Proposition 218), and ignoring the wishes of our local voters to have their telecommunication tax or UUT imposed in a technology-neutral, non-discriminatory manner.

On April 8, 2008, Culver City voters approved amendments to the City's Utility Users Tax (UUT) Ordinance, which removed the reference to the federal excise tax and modernized the definitions to include, among other things, Voice over Internet Protocol (VoIP), paging, and private communication services. Our voters approved these amendments to the UUT, as required by the California Constitution (Prop. 218), because they wanted to continue essential governmental services such as public safety and emergency 911 response (57% of City's General Fund), street repairs, senior and youth programs, parks and recreation. For example, the City receives \$5.479 million annually from its telecommunication tax, representing 5.5% of all General Fund revenues, and this revenue would pay for 27% of the City's fire services, 16% of the City's police services or 69% of parks and recreation services. We need your help to protect the voter-approved funding of our essential local services, which are at risk by proposed federal legislation.

Culver City respectfully requests your consideration of *two alternative amendments*, which would correct the over-breadth of these bills and protect our City's existing voter-approved local telecommunication taxes.

**The Honorable Dianne Feinstein and The Honorable Barbara Boxer  
Internet Tax Freedom Act (ITFA)**

**June 22, 2015**

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The two alternative amendments are:

1. "Unbundling" telecommunications from the definition of "internet access"; or,
2. Creating an exception for a voter-approved excise tax on telecommunications, pursuant to state law. To our knowledge, only three other states have such a voter approval requirement, and none (other than California) have a local excise tax on telecommunications.

Either of these two limited amendments would allow Culver City to support S. 431 and H.R. 235 and the continued protection of Internet-related services from discriminatory state and local taxes. Without either amendment, however, approximately 60-80% of the City's annual \$5.479 million of existing and future telecommunication UUT could be at risk. In that case, we would vigorously oppose such a permanent ban, and respectfully request that you do the same, and support an extension of the existing moratorium.

We thank you for your continued support of California local government, by honoring and protecting the wishes of Culver City voters from the preemptive effect of any proposed federal legislation. If you wish to discuss this further, please contact Mr. Jeff Muir, Chief Financial Officer, at (310) 253-6016. Thank you for your consideration.

Sincerely,

  
Micheál O'Leary  
Mayor

cc: The Honorable Karen Bass, Member of the U.S. House of Representatives  
The Honorable Holly J. Mitchell, Member of the State Senate  
The Honorable Sebastian Ridley-Thomas, Member of the State Assembly  
The Honorable Members of the City Council  
John M. Nachbar, City Manager  
Jeff Muir, Chief Financial Officer