

## **CITY ATTORNEY'S IMPARTIAL ANALYSIS OF MEASURE K-**

This measure would approve an ordinance enacting a quarter-cent (0.25%) transactions and use (sales) tax within the City of San Pablo. The tax is a special tax requiring a 2/3 vote, with legal restrictions as to its use. The tax will be limited to funding an Emergency Medical Services squad operating out of Station 70 in San Pablo; if Station 70 is closed by the County Fire District, the tax revenue must be used to fund alternative EMS services for the City of San Pablo. The tax may not legally be used for any other purpose.

The tax ordinance requires independent auditors to report on the collection, management and expenditure of tax revenue. A community oversight committee of San Pablo residents and business representatives will also review and report on revenues and expenditures. The committee's report must be completed in time to be considered as part of the annual budget. The report is a public record and must be considered and reported by the City Council at a public meeting.

This tax on retail sales is paid by non-residents as well as residents. Certain necessities of life, including purchases of food or medicine, are exempt from the tax. If adopted, it will not go into effect until October, 2014.

Technically, the existing sales tax is a combination of "sales and use tax" and "transactions and use tax." Retailers collect both taxes at the time of sale and remit the funds to the State Board of Equalization, which administers the taxes. Both are levied on the retail sale or use of personal property, with certain exceptions. A sales tax is allocated to the jurisdiction where the sale is negotiated or the order for the sale is taken, but a transactions and use tax is allocated to the City where the goods are delivered or placed into use. Merchandise purchased in a "walk-in" retail store is assumed by the state to be used within the city in which the store is located, unless the retailer is asked to ship the merchandise outside the city as part of the sale or it is a motor vehicle that can be driven away.

State and local tax on retail sales in San Pablo is currently 9% of the purchase price. The Measure authorizes a 0.25% transactions and use tax, increasing the total sales tax rate in San Pablo from 9% to 9.25. The tax increase proposed by Measure K would go only to the City, and not to the State or any other governmental entity. The total tax rate will decrease by 0.25% in 2017, and another 0.25% in 2022, due to the terms of San Pablo's Measure Q, adopted by the voters in 2012.

A "Yes" vote is a vote to approve the additional quarter-cent tax for EMS services in San Pablo, with audits and a Citizens' Oversight Committee. A "No" vote is a vote against the tax. A full copy of the ordinance is printed in these ballot materials.

Brian M. Libow

City Attorney