

ORDINANCE NO. 654

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF LA MIRADA ESTABLISHING A TRANSACTIONS AND USE TAX TO BE ADMINISTERED BY THE STATE BOARD OF EQUALIZATION, AND AMENDING TITLE 3 OF THE LA MIRADA MUNICIPAL CODE

A. Recitals.

- (i) The City of La Mirada could lose as much as \$58 million as a result of State actions eliminating California's redevelopment agencies.
- (ii) The Great Recession reduced the City's traditional revenue sources to a level insufficient to maintain the programs, services, and capital improvement projects at the level necessary to meet current and future needs without significant cuts.
- (iii) A recent engineering study of La Mirada's infrastructure identified \$67,250,193 in costs for infrastructure needs, such as repairing major roads, neighborhood streets, and fixing potholes.
- (iv) In response to State actions eliminating redevelopment agencies and the lingering effects of the Great Recession, the La Mirada City Council unanimously declared a fiscal emergency on February 14, 2012.
- (v) The Citizen Task Force on City Finances and Operations reviewed the challenges impacting La Mirada, and determined the City must act to repair infrastructure, maintain services, and enhance local control of revenues.
- (vi) Subject to provisions of State law, the City is permitted to levy a tax on transactions and uses of tangible personal property within the City.
- (vii) The City desires to impose such a tax for the privilege of selling tangible personal property at retail within the City, to be deposited into the City's General Fund to help defray the costs of general city services and expenses.

B. Ordinance.

NOW, THEREFORE, the City Council of the City of La Mirada does hereby ordain as follows:

Section 1. A new Chapter 3.10 (Transactions and Use Tax) is hereby added to Title 3 (Revenue and Finance) of the La Mirada Municipal Code to read as follows:

“3.10.010 Short title.

This ordinance shall be known as the City of La Mirada Transactions and Use Tax Ordinance. The City of La Mirada hereinafter shall be called 'City.' This ordinance shall be applicable to all incorporated territory of the City.

3.10.020 Operative date.

'Operative Date' means the first day of the first calendar quarter commencing more than 110 days after the adoption of this ordinance, the date of such adoption being as set forth below.

3.10.030 Purpose.

This ordinance is adopted to achieve the following, among other purposes, and directs that the provisions hereof be interpreted in order to accomplish those purposes:

(a) To impose a retail transactions and use tax in accordance with the provisions of Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code and Section 7285.9 of Part 1.7 of Division 2 which authorizes the City to adopt this tax ordinance which shall be operative if a majority of the electors voting on the measure vote to approve the imposition of the tax at an election called for that purpose.

(b) To adopt a retail transactions and use tax ordinance that incorporates provisions identical to those of the Sales and Use Tax Law of the State of California insofar as those provisions are not inconsistent with the requirements and limitations contained in Part 1.6 of Division 2 of the Revenue and Taxation Code.

(c) To adopt a retail transactions and use tax ordinance that imposes a tax and provides a measure therefore that can be administered and collected by the State Board of Equalization in a manner that adapts itself as fully as practicable to, and requires the least possible deviation from, the existing statutory and administrative procedures followed by the State Board of Equalization in administering and collecting the California State Sales and Use Taxes.

(d) To adopt a retail transactions and use tax ordinance that can be administered in a manner that will be, to the greatest degree possible, consistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, minimize the cost of collecting the transactions and use taxes, and at the same time, minimize the burden of recordkeeping upon persons subject to taxation under the provisions of this ordinance.

3.10.040 Contract with State.

Prior to the operative date, the City shall contract with the State Board of Equalization to perform all functions incidental to the administration and operation of this transactions and use tax ordinance; provided, that if the City has not contracted with the State Board of Equalization prior to the operative date, it shall nevertheless so contract and in such a case the operative date shall be the first day of the first calendar quarter following the execution of such a contract.

3.10.050 Transactions tax rate.

For the privilege of selling tangible personal property at retail, a tax is hereby imposed upon all retailers in the incorporated territory of the City at the rate of one percent (1.0%) of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in said territory on and after the operative date of this ordinance.

3.10.060 Place of sale.

For the purposes of this ordinance, all retail sales are consummated at the place of business of the retailer unless the tangible personal property sold is delivered by the retailer or his agent to an out-of-state destination or to a common carrier for delivery to an out-of-state destination. The gross receipts from such sales shall include delivery charges, when such charges are subject to the state sales and use tax, regardless of the place to which delivery is made. In the event a retailer has no permanent place of business in the State or has more than one place of business, the place or places at which the retail sales are consummated shall be determined under rules and regulations to be prescribed and adopted by the State Board of Equalization.

3.10.070 Use tax rate.

An excise tax is hereby imposed on the storage, use or other consumption in the City of tangible personal property purchased from any retailer on and after the operative date of this ordinance for storage, use or other consumption in said territory at the rate of one percent (1.0%) of the sales price of the property. The sales price shall include delivery charges when such charges are subject to state sales or use tax regardless of the place to which delivery is made.

3.10.080 Adoption of provisions of State law.

Except as otherwise provided in this ordinance and except insofar as they are inconsistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, all of the provisions of Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code are hereby adopted and made a part of this ordinance as though fully set forth herein.

3.10.090 Limitations on adoption of State law and collection of use taxes.

In adopting the provisions of Part 1 of Division 2 of the Revenue and Taxation Code:

(a) Wherever the State of California is named or referred to as the taxing agency, the name of this City shall be substituted therefore. However, the substitution shall not be made when:

(1) The word 'State' is used as a part of the title of the State Controller, State Treasurer, State Board of Control, State Board of Equalization, State Treasury, or the Constitution of the State of California;

(2) The result of that substitution would require action to be taken by or against this City or any agency, officer, or employee thereof rather than by or against the State Board of Equalization, in performing the functions incident to the administration or operation of this Ordinance.

(3) In those sections, including, but not necessarily limited to sections referring to the exterior boundaries of the State of California, where the result of the substitution would be to:

(A) Provide an exemption from this tax with respect to certain sales, storage, use or other consumption of tangible personal property which would not otherwise be exempt from this tax while such sales, storage, use or other consumption remain subject to tax by the State under the provisions of Part 1 of Division 2 of the Revenue and Taxation Code, or;

(B) Impose this tax with respect to certain sales, storage, use or other consumption of tangible personal property which would not be subject to tax by the state under the said provision of that code.

(4) In Sections 6701, 6702 (except in the last sentence thereof), 6711, 6715, 6737, 6797, 6828 of the Revenue and Taxation Code.

(b) The word 'City' shall be substituted for the word 'State' in the phrase 'retailer engaged in business in this State' in Section 6203 and in the definition of that phrase in Section 6203.

3.10.100 Permit not required.

If a seller's permit has been issued to a retailer under Section 6067 of the Revenue and Taxation Code, an additional transactor's permit shall not be required by this ordinance.

3.10.110 Exemptions and exclusions.

(a) There shall be excluded from the measure of the transactions tax and the use tax the amount of any sales tax or use tax imposed by the State of California or by any city, city and county, or county pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law or the amount of any state-administered transactions or use tax.

(b) There are exempted from the computation of the amount of transactions tax the gross receipts from:

(1) Sales of tangible personal property, other than fuel or petroleum products, to operators of aircraft to be used or consumed principally outside the county in which the sale is made and directly and exclusively in the use of such aircraft as common carriers of persons or property under the authority of the laws of this State, the United States, or any foreign government.

(2) Sales of property to be used outside the City which is shipped to a point outside the City, pursuant to the contract of sale, by delivery to such point by the retailer or his agent, or by delivery by the retailer to a carrier for shipment to a consignee at such point. For the purposes of this paragraph, delivery to a point outside the City shall be satisfied:

(A) With respect to vehicles (other than commercial vehicles) subject to registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with Section 21411 of the Public Utilities Code, and undocumented vessels registered under Division 3.5 (commencing with Section 9840) of the Vehicle Code by registration to an out-of-City address and by a declaration under penalty of perjury, signed by the buyer, stating that such address is, in fact, his or her principal place of residence; and

(B) With respect to commercial vehicles, by registration to a place of business out-of-City and declaration under penalty of perjury, signed by the buyer, that the vehicle will be operated from that address.

(3) The sale of tangible personal property if the seller is obligated to furnish the property for a fixed price pursuant to a contract entered into prior to the operative date of this ordinance.

(4) A lease of tangible personal property which is a continuing sale of such property, for any period of time for which the leaser is obligated to lease the property for an amount fixed by the lease prior to the operative date of this ordinance.

(5) For the purposes of subparagraphs (3) and (4) of this section, the sale or lease of tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.

(c) There are exempted from the use tax imposed by this ordinance, the storage, use or other consumption in this City of tangible personal property:

(1) The gross receipts from the sale of which have been subject to a transactions tax under any state-administered transactions and use tax ordinance.

(2) Other than fuel or petroleum products purchased by operators of aircraft and used or consumed by such operators directly and exclusively in the use of such aircraft as common carriers of persons or property for hire or compensation under a certificate of public convenience and necessity issued pursuant to the laws of this State, the United States, or any foreign government. This exemption is in addition to the exemptions provided in Sections 6366 and 6366.1 of the Revenue and Taxation Code of the State of California.

(3) If the purchaser is obligated to purchase the property for a fixed price pursuant to a contract entered into prior to the operative date of this ordinance.

(4) If the possession of, or the exercise of any right or power over, the tangible personal property arises under a lease which is a continuing purchase of such property for any period of time for which the lessee is obligated to lease the property for an amount fixed by a lease prior to the operative date of this ordinance.

(5) For the purposes of subparagraphs (3) and (4) of this section, storage, use, or other consumption, or possession of, or exercise of any right or power over, tangible personal property shall be deemed not to be obligated pursuant to a contract for lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.

(6) Except as provided in subparagraph (7), a retailer engaged in business in the City shall not be required to collect use tax from the purchaser of tangible personal property, unless the retailer ships or delivers the property into the City or participates within the City in making the sale of the property, including, but not limited to, soliciting or receiving the order, either directly or indirectly, at a place of business of the retailer in the City or through any representative, agent, canvasser, solicitor, subsidiary, or person in the City under the authority of the retailer.

(7) 'A retailer engaged in business in the City'" shall also include any retailer of any of the following: vehicles subject to registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with Section 21411 of the Public Utilities Code, or undocumented vessels registered under Division 3.5 (commencing with Section 9840) of the Vehicle Code. That retailer shall be required to collect use tax from any purchaser who registers or licenses the vehicle, vessel, or aircraft at an address in the City.

(d) Any person subject to use tax under this ordinance may credit against that tax any transactions tax or reimbursement for transactions tax paid to a district imposing, or retailer liable for a transactions tax pursuant to Part 1.6 of Division 2 of the Revenue and Taxation Code with respect to the sale to the person of the property the storage, use or other consumption of which is subject to the use tax.

3.10.120 Amendments.

All amendments subsequent to the effective date of this ordinance to Part 1 of Division 2 of the Revenue and Taxation Code relating to sales and use taxes and which are not inconsistent with Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, and all amendments to Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, shall automatically become a part of this ordinance, provided however, that no such amendment shall operate so as to affect the rate of tax imposed by this ordinance.

3.10.130 Enjoining collection forbidden.

No injunction or writ of mandate or other legal or equitable process shall issue in any suit, action or proceeding in any court against the State or the City, or against any officer of the State or the City, to prevent or enjoin the collection under this ordinance, or Part 1.6 of Division 2 of the Revenue and Taxation Code, of any tax or any amount of tax required to be collected.

3.10.140 Citizens Oversight Committee.

Prior to the operative date, the City Council shall (a) adopt a resolution establishing the composition of a committee of no more than five (5) residents of La Mirada to review and report on the revenue and expenditure of funds from the tax adopted by this Chapter, (b) defining the scope of the committee's responsibilities, and (c) appointing at least a quorum of the members of the committee.

3.10.150 Annual independent audits.

The City shall ensure that annual independent audits are conducted to account for the tax revenues received and expenditures made in relation to the one percent (1.0%) transaction and use tax. Such audits will be provided to the Citizens Oversight Committee for their review.

3.10.160 Termination date.

The authority to levy the tax imposed by this ordinance shall expire on the fifth (5th) anniversary of the last day of the calendar quarter following the operative date."

Section 2. Severability. If any section, subsection, sentence, clause, phrase or portion of this Ordinance is for any reason deemed or held to be invalid by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portion of this Ordinance. The City Council of the City of La Mirada hereby declares that it would have adopted this Ordinance and each section, subsection, sentence, clause, phrase, or portion thereof, irrespective of the fact that any one or more of the sections, subsections, sentences, clauses, phrases or portions might subsequently be declared invalid or unconstitutional.

Section 3. This Ordinance shall be effective only if approved by a majority of the voters voting thereon, and, if approved, shall go into effect ten (10) days after the vote is declared by the City Council.

Section 4. The City Clerk shall certify this passage and shall cause this Ordinance to be posted in three (3) public places within the City of La Mirada within fifteen (15) days after its passage in the manner prescribed in Resolution 03-01.

APPROVED and ADOPTED this 24th day of July, 2012.

Gabriel P. Garcia, Mayor

ATTEST:

I, Anne Haraksin, City Clerk of the City of La Mirada, do hereby certify that the foregoing Ordinance was introduced at a regular meeting of the City of the City of La Mirada held on the 10th day of July, 2012, and was finally passed at a regular meeting of the City Council of the City of La Mirada held on the 24th day of July, 2012.

AYES: Councilmembers Deal, Jones, Mowles, Mayor Pro Tem De Ruse, Mayor Garcia

NOES: None

ABSENT: None

ABSTAIN: None

Anne Haraksin, City Clerk