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DEPARTMENT OF  
FINANCE

REVENUE DIVISION

CITY OF SACRAMENTO  
CALIFORNIA

CITY HALL  
ROOM 114  
730 I STREET  
SACRAMENTO, CA  
95814-2696

REVENUE  
ADMINISTRATION  
916-808-5724

May 25, 2005

Law & Legislation Committee  
Sacramento, California

Honorable Members in Session:

**SUBJECT: AUTOMATION OF CITY UTILITY USER TAX LOW-INCOME CITIZEN  
REFUND PROGRAM**

**LOCATION AND COUNCIL DISTRICT: D - All**

**RECOMMENDATION:**

This report requests that the Law and Legislation Committee approve and forward to the Mayor and the City Council the attached ordinance amending Section 3.32.170 of the City Code related to automated low-income citizen utility user tax refund program.

**CONTACT PERSON** Gus Vina, Director of Finance, 808-7138  
Brad Wasson, Revenue Manager, 808-5844

**FOR THE COMMITTEE MEETING OF** June 7, 2005

**SUMMARY**

The Mayor and City Council directed staff to pursue automated utility user tax refunds via a partnership with Sacramento Municipal Utility District (SMUD) and Pacific Gas and Electric Company (PG&E) on December 14, 2004. The intent was to take advantage of SMUD and PG&E's successful low-income assistance programs by refunding the City tax directly through the utilities' billing processes.

With the adoption of the attached ordinance, SMUD, PG&E and the City will be able to begin issuing automatic tax credits to qualified low-income energy service users by August 1, 2005.



## **BACKGROUND**

The utility users low-income tax refund program was established in 1978 to financially assist a low-income segment of city residents. Over the years it has evolved to reach more households and focus on tax refunds for essential utility services.

On December 14, 2004, the Mayor and city council directed staff to:

- a) Develop partnerships with SMUD and PG&E to provide direct refunds on low-income customer bills.
- b) Change the City Code qualification requirements to match the low-income programs for SMUD and PG&E.
- c) Change City code to no longer include the telephone and cable refunds.

SMUD and PG&E are excited about this opportunity to further help our low-income customers. They have been making preparations to reduce the tax on the monthly bills for the low-income discount program. Both energy providers believe they can implement this change on August 1, 2005.

The attached ordinance modifies City Code section 3.32.170 to allow utility user tax credits for participants of an energy service supplier's (SMUD or PG&E) low-income assistant program.

The modifications to City Code section 3.32.170 do not include eliminating the refunds for telephone and cable television user taxes because eliminating these refunds may be deemed the equivalent of imposing, extending, or increasing the utility user tax on these services. Pursuant to Proposition 218, no local government may impose, extend, or increase any general tax unless and until that tax is submitted to the electorate and approved by a majority vote. Staff recommends moving forward with the automated energy credits and issuing manual rebates for telephone and cable television utility user tax as done in the past.

## **FINANCIAL CONSIDERATIONS**

The FY 2005/06 proposed budget includes funding for the refund program.

## **ENVIRONMENTAL CONSIDERATIONS**

Not applicable.

## **POLICY CONSIDERATIONS**

This recommendation is consistent with the Mayor and City Council's direction to increase utility user tax refunds to low-income households.

## **ESBD EFFORTS**

No goods or services are being purchased at this time.

Respectfully submitted,



for Brad Wasson  
Revenue Manager



Gus Vina  
Finance Director

RECOMMENDATION APPROVED:



KEN NISHIMOTO  
Assistant City Manager

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# ORDINANCE NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF \_\_\_\_\_

AN ORDINANCE AMENDING SECTION 3.32.170 OF CHAPTER 3.32 OF THE SACRAMENTO CITY CODE PERTAINING TO THE UTILITY USER TAX LOW-INCOME CITIZEN REFUND PROGRAM

**BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:**

**SECTION 1.**

Section 3.32.170 of the Sacramento City Code is hereby amended to read as follows:

**3.32.170 Low-Income Citizen Refunds and Credits.**

- A. Notwithstanding the provisions of Section 3.32.160 of this Chapter, refunds or credits may be made to certain service users as provided in this Section.
- B. A refund of the telephone, additional telephone, and cable television user taxes imposed by Sections 3.32.030, 3.32.040, and 3.32.090 of this Chapter may be made upon valid application under the following conditions:
  - 1. The service user is a "head of household;" and
  - 2. The "household income" of the service user, as that term is defined in Section 20504 of the Revenue and Taxation Code, shall not exceed twenty-five thousand dollars (\$25,000) for the calendar year ending in the fiscal year in which application for the refund is made; and
  - 3. The "gross income" of the service user, as that term is defined in Section 17071 of the Revenue and Taxation Code, shall not exceed twenty-five thousand dollars (\$25,000) for the calendar year ending in the fiscal year in which application for the refund is made; and
  - 4. The utility services for which the service user has paid tax were delivered to such service users residence and such residence is located within the city; and
  - 5. The service user has paid the tax imposed by Sections 3.32.030, 3.32.040,, and 3.32.090 of this Chapter (or the tax imposed by (i) Sections 3.32.030 and 3.32.040 of this Chapter or (ii) Section 3.32.090 of this Chapter if only

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- telephone or cable television service is provided to the individual's residence) for all or part of the twelve (12) months of the calendar year ending in the fiscal year in which application for the refund is made; and
6. The service user has made no other application for a refund in the same calendar year.
- C. The amount of the refund made pursuant to subsection B of this Section shall be the total amount of the eligible tax for the calendar year ending in the fiscal year in which application for refund is made. The eligible tax is the tax paid as follows:
1. The tax imposed by Sections 3.32.030 and 3.32.040 of this Chapter but not to exceed the total annual tax on the "lifeline flat rate service" rate as published by the largest local provider as of June 1st of the calendar year.
  2. The tax paid as imposed by Section 3.32.090 of this Chapter but not to exceed the total annual tax on the "economy basic" service rate as published by the largest local provider as of June 1st of the calendar year.
- D. The refund provided for in subsections B and C of this section shall be applied for on or before March 15th, in the year following the calendar year for which the tax is imposed on a form prescribed by the city and shall be payable by the city periodically on a timely basis as the validity of the applications made is established, but no later than June 30th of that year.
- E. As used in this Section, "head of household" means the person filing or who would file a federal income tax return as a head of household, or a single individual, or the husband or wife if a joint return is filed, but in such case, the individual applying for the refund must additionally declare that his or her spouse has not also applied for a refund for the same period of time.
- F. The director of finance may audit applications made pursuant to this Section and may require such proof as necessary to document conditions of eligibility. The director may deny in whole or in part refunds for applications found by the director to be in noncompliance, and the director shall seek repayment of any refund amounts paid by the city in excess of the amount for which the service user is qualified under subsection B or C of this Section.
- G. A credit in an amount equal to the electrical user and additional electrical user taxes imposed by Sections 3.32.050 and 3.32.060 of this Chapter may be issued to a low-income service user under the following conditions:
1. The electrical energy was delivered to the service user's residence and such residence is located within the City; and

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2. The service user is duly-enrolled in a low-income assistance program provided by the person supplying the electrical energy. For the purposes of this subdivision, a low-income assistance program includes, but is not limited to, the Sacramento Municipal Utility District's Energy Assistance Program; and
  3. The eligibility criteria of the low-income assistance program of the person supplying electrical energy are based, in whole or in part, on the Federal Poverty Guidelines.
- H. A credit in an amount equal to the gas user and additional gas user taxes imposed by Sections 3.32.070 and 3.32.080 of this Chapter may be issued to a low-income service user under the following conditions:
1. The gas was delivered to the service user's residence and such residence is located within the City; and
  2. The service user is duly-enrolled in a low-income assistance program of the person selling the gas. For the purposes of this subdivision, a low-income assistance program includes, but is not limited to, Pacific Gas and Electric Company's California Alternative Rates for Energy Programs; and
  3. The discount and eligibility criteria of the low-income assistance program of the person selling the gas are established by the California Public Utilities Commission.
- I. Notwithstanding Sections 3.32.050(C), 3.32.060, 3.32.070(D), and 3.32.080 of this Chapter, a person who supplies electrical energy or sells gas shall not be required to collect and remit the taxes that are imposed by Sections 3.32.050, 3.32.060, 3.32.070, and 3.32.080 from a service user who qualifies for a credit pursuant to subsection G or H of this Section; provided, however, where a person is not required to collect and remit taxes pursuant to this subsection, the person shall in its monthly remittance to the City include a statement of the total taxes that have been imposed pursuant to Sections 3.32.050, 3.32.060, 3.32.070, and 3.32.080, but that have not been collected as a result of the credit provided for in subsections G and H of this Section.
- J. The city council shall review annually the refund and credit policies and procedures established by this ordinance to determine how to continue the program.

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DATE ADOPTED: \_\_\_\_\_

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DATE PASSED FOR PUBLICATION:  
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DATE EFFECTIVE:

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MAYOR

ATTEST:

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# ORDINANCE NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF \_\_\_\_\_

AN ORDINANCE AMENDING SECTION 3.32.170 OF CHAPTER 3.32 OF THE SACRAMENTO CITY CODE PERTAINING TO THE UTILITY USER TAX LOW-INCOME CITIZEN REFUND PROGRAM

**BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:**

## **SECTION 1.**

Section 3.32.170 of the Sacramento City Code is hereby amended to read as follows:

### **3.32.170 Low-Income Citizen Refunds and Credits.**

A. Notwithstanding the provisions of Section 3.32.160 of this Chapter, a refund or credits may be made upon valid application to certain service users as provided in this Section under the following conditions:

B. A refund of the telephone, additional telephone, and cable television user taxes imposed by Sections 3.32.030, 3.32.040, and 3.32.090 of this Chapter may be made upon valid application under the following conditions:

1. The service user is a "head of household;" and
2. The "household income" of the service user, as that term is defined in Section 20504 of the Revenue and Taxation Code, shall not exceed twenty-five thousand dollars (\$25,000) for the calendar year ending in the fiscal year in which application for the refund is made; and
3. The "gross income" of the service user, as that term is defined in Section 17071 of the Revenue and Taxation Code, shall not exceed twenty-five thousand dollars (\$25,000) for the calendar year ending in the fiscal year in which application for the refund is made; and
4. The utility services for which the service user has paid tax were delivered to such service users residence and such residence is located within the city; and
5. The service user has paid the tax imposed by Sections 3.32.030, 3.32.040, ~~3.32.050, 3.32.060, 3.32.070, 3.32.080,~~ and 3.32.090 of this ~~chapter~~Chapter

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(or the tax imposed by ~~one, two, or three of these sections if only one, two, or three of the~~ (i) Sections 3.32.030 and 3.32.040 of this Chapter or (ii) Section 3.32.090 of this Chapter if only telephone or cable television services is provided to the individual's residence) for all or part of the twelve (12) months of the calendar year ending in the fiscal year in which application for the refund is made; and

6. The service user has made no other application for a refund in the same calendar year.

~~BC.~~ The amount of the refund made pursuant to subsection B of this ~~s~~Section shall be the total amount of the eligible tax for the calendar year ending in the fiscal year in which application for refund is made. The eligible tax is the tax paid as follows:

1. The tax imposed by ~~section~~Sections 3.32.030 and 3.32.040 of this ~~C~~chapter but not to exceed the total annual tax on the "lifeline flat rate service" rate as published by the largest local provider as of June 1st of the calendar year.
2. ~~The tax paid as imposed by sections 3.32.050 and 3.32.060 of this chapter.~~
3. ~~The tax paid as imposed by sections 3.32.070 and 3.32.080 of this chapter.~~
4. ~~The tax paid as imposed by Section 3.32.090 of this chapter~~Chapter but not to exceed the total annual tax on the "economy basic" service rate as published by the largest local provider as of June 1st of the calendar year.

~~CD.~~ The refund provided for in subsections AB and BC of this section shall be applied for on or before March 15th, in the year following the calendar year for which the tax is imposed on a form prescribed by the city and shall be payable by the city periodically on a timely basis as the validity of the applications made is established, but no later than June 30th of that year.

~~Exceptions: Calendar Year 2003 Refunds. Notwithstanding the foregoing, the refund provided for in subsections A and B of this section for calendar year 2003 shall be applied for on or before August 31, 2004 on a form prescribed by the city and shall be payable by the city periodically on a timely basis as the validity of the applications made is established, but no later than September 30, 2004.~~

~~DE.~~ As used in this ~~section~~Section, "head of household" means the person filing or who would file a federal income tax return as a head of household, or a single individual, or the husband or wife if a joint return is filed, but in such case, the individual applying for the refund must additionally declare that his or her spouse has not also applied for a refund for the same period of time.

~~FE.~~ The director of finance may audit applications made pursuant to this ~~section~~Section and may require such proof as necessary to document conditions of eligibility. The director may deny in whole or in part refunds for

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applications found by the director to be in noncompliance, and the director shall seek repayment of any refund amounts paid by the city in excess of the amount for which the service user is qualified under subsection B or C of this ~~section~~Section.

G. A credit in an amount equal to the electrical user and additional electrical user taxes imposed by Sections 3.32.050 and 3.32.060 of this Chapter may be issued to a low-income service user under the following conditions:

1. The electrical energy was delivered to the service user's residence and such residence is located within the City; and
2. The service user is duly-enrolled in a low-income assistance program provided by the person supplying the electrical energy. For the purposes of this subdivision, a low-income assistance program includes, but is not limited to, the Sacramento Municipal Utility District's Energy Assistance Program; and
3. The eligibility criteria of the low-income assistance program of the person supplying electrical energy are based, in whole or in part, on the Federal Poverty Guidelines.

H. A credit in an amount equal to the gas user and additional gas user taxes imposed by Sections 3.32.070 and 3.32.080 of this Chapter may be issued to a low-income service user under the following conditions:

1. The gas was delivered to the service user's residence and such residence is located within the City; and
2. The service user is duly-enrolled in a low-income assistance program of the person selling the gas. For the purposes of this subdivision, a low-income assistance program includes, but is not limited to, Pacific Gas and Electric Company's California Alternative Rates for Energy Programs; and
3. The discount and eligibility criteria of the low-income assistance program of the person selling the gas are established by the California Public Utilities Commission.

I. Notwithstanding Sections 3.32.050(C), 3.32.060, 3.32.070(D), and 3.32.080 of this Chapter, a person who supplies electrical energy or sells gas shall not be required to collect and remit the taxes that are imposed by Sections 3.32.050, 3.32.060, 3.32.070, and 3.32.080 from a service user who qualifies for a credit pursuant to subsection G or H of this Section; provided, however,

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where a person is not required to collect and remit taxes pursuant to this subsection, the person shall in its monthly remittance to the City include a statement of the total taxes that have been imposed pursuant to Sections 3.32.050, 3.32.060, 3.32.070, and 3.32.080, but that have not been collected as a result of the credit provided for in subsections G and H of this Section.

~~JF. The city council shall review annually the refund and credit policies and procedures established by this ordinance to determine how to continue the refund program. (Ord. 2004-010 § 1; Ord. 2003-012 § 1; Ord. 2002-040 § 1; Ord. 97-071 § 1; prior code § 41.06.062)A. Notwithstanding the provisions of Section 3.32.160 of this chapter, refunds or credits to certain service users may be made as provided in this Section.~~

~~B. A refund of the telephone, additional telephone, and cable television user taxes imposed by Sections 3.32.030, 3.32.040, and 3.32.090 of this chapter may be made upon valid application under the following conditions:~~

- ~~1. The service user is a "head of household;" and~~
- ~~2. The "household income" of the service user, as that term is defined in Section 20504 of the Revenue and Taxation Code, shall not exceed twenty-five thousand dollars (\$25,000) for the calendar year ending in the fiscal year in which application for the refund is made; and~~
- ~~3. The "gross income" of the service user, as that term is defined in Section 17071 of the Revenue and Taxation Code, shall not exceed twenty-five thousand dollars (\$25,000) for the calendar year ending in the fiscal year in which application for the refund is made; and~~
- ~~4. The utility services for which the service user has paid tax were delivered to such service users residence and such residence is located within the city; and~~
- ~~5. The service user has paid the tax imposed by Sections 3.32.030, 3.32.040, and 3.32.090 of this chapter (or the tax imposed by (i) Sections 3.32.030 and 3.32.040 of this chapter or (ii) Section 3.32.090 of this chapter if only telephone or cable television service is provided to the individual's residence) for all or part of the twelve (12) months of the calendar year ending in the fiscal year in which application for the refund is made; and~~
- ~~6. The service user has made no other application for a refund in the same calendar year.~~

~~C. The amount of the refund made pursuant to subsection B of this Section shall be the total amount of the eligible tax for the calendar year ending in the fiscal year in which application for refund is made. The eligible tax is the tax paid as follows:~~

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- ~~1. The tax imposed by sections 3.32.030 and 3.32.040 of this chapter but not to exceed the total annual tax on the "lifeline flat rate service" rate as published by the largest local provider as of June 1st of the calendar year.~~
- ~~2. The tax paid as imposed by Section 3.32.090 of this chapter but not to exceed the total annual tax on the "economy basic" service rate as published by the largest local provider as of June 1st of the calendar year.~~

~~D. The refund provided for in subsections B and C of this section shall be applied for on or before March 15th, in the year following the calendar year for which the tax is imposed on a form prescribed by the city and shall be payable by the city periodically on a timely basis as the validity of the applications made is established, but no later than June 30th of that year.~~

~~Exceptions: Calendar Year 2004 Refunds. Notwithstanding the foregoing, the refund provided for in subsections B and C of this section for calendar year 2004 shall be applied for on or before August 31, 2005 on a form prescribed by the city and shall be payable by the city periodically on a timely basis as the validity of the applications made is established, but no later than September 30, 2005.~~

~~E. As used in this section, "head of household" means the person filing or who would file a federal income tax return as a head of household, or a single individual, or the husband or wife if a joint return is filed, but in such case, the individual applying for the refund must additionally declare that his or her spouse has not also applied for a refund for the same period of time.~~

~~F. The director of finance may audit applications made pursuant to this section and may require such proof as necessary to document conditions of eligibility. The director may deny in whole or in part refunds for applications found by the director to be in noncompliance, and the director shall seek repayment of any refund amounts paid by the city in excess of the amount for which the service user is qualified under subsection C or D of this section.~~

~~G. A credit in an amount equal to the electrical user and additional electrical user taxes imposed by Sections 3.32.050 and 3.32.060 of this chapter may be issued to a low income service user under the following conditions:~~

- ~~1. The electrical energy was delivered to the service user's residence and such residence is located within the City; and~~
- ~~2. The service user is duly enrolled in a low income assistance program provided by the person supplying the electrical energy. For the purposes of this subdivision, a low income assistance program includes, but is not~~

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~~limited to, the Sacramento Municipal Utility District's Energy Assistance Program; and~~

~~3. The eligibility criteria of the low-income assistance program of the person supplying electrical energy are based, in whole or in part, on the Federal Poverty Guidelines.~~

~~H. A credit in an amount equal to the gas user and additional gas user taxes imposed by Sections 3.32.070 and 3.32.080 of this chapter may be issued to a low-income service user under the following conditions:~~

~~1. The gas was delivered to the service user's residence and such residence is located within the City; and~~

~~2. The service user is duly enrolled in a low-income assistance program of the person selling the gas. For the purposes of this subdivision, a low-income assistance program includes, but is not limited to, Pacific Gas and Electric Company's California Alternative Rates for Energy Programs; and~~

~~3. The discount and eligibility criteria of the low-income assistance program of the person selling the gas are established by the California Public Utilities Commission.~~

~~I. Notwithstanding Sections 3.32.050(C), 3.32.060, 3.32.070(D), and 3.32.080 of this chapter, a person who supplies electrical energy or sells gas shall not be required to collect and remit the taxes that are imposed by Sections 3.32.050, 3.32.060, 3.32.070, and 3.32.080 from a service user who qualifies for a credit pursuant to subsection G or H of this Section; provided, however, where a person is not required to collect and remit taxes pursuant to this subsection, the person shall in its monthly remittance to the City include a statement of the total taxes that have been imposed pursuant to Sections 3.32.050, 3.32.060, 3.32.070, and 3.32.080, but not collected as a result of the credit provided for in subsections G and H of this Section.~~

~~J. In addition to the right to inspect records provided by Section 3.32.150 of this chapter, the City collector or authorized representative shall have the right to inspect the low-income assistance program records of persons supplying electrical energy or selling gas.~~

~~K. The city council shall review annually the refund and credit policies and procedures established by this ordinance to determine how to continue the program.~~

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