March 10, 2008

NOTICE TO COMMUNICATIONS SERVICE PROVIDERS

RE: COMMUNICATIONS USERS TAX (CUT)

On February 5, 2008, the voters of the City of Los Angeles approved Measure S-Communications Users Tax. This ordinance is effective, in its entirety, on March 15, 2008.

The ordinance requires communication service providers engaged in business or providing communication services in the City of Los Angeles to initiate compliance with all of its provisions. To facilitate the required compliance, the Communications Users Tax ordinance sections addressed in Measure S can be accessed on this website. For your reference, listed below are some of the significant provisions of the ordinance.

- Tax rate is reduced to 9%
- Monthly reporting and remitting is required for service providers
- Exemptions are provided for low-income senior citizen and disabled households
- Charges for non taxable services billed together with taxable services are taxable
- Private Communications services are subject to taxation
- VoIP services are subject to taxation
- Text and instant messaging services are subject to taxation

The above items are not intended to be an exhaustive list; the full extent and application of the ordinance is determined by the text of the referenced ordinance and any sections of Los Angeles Municipal Code Chapter II, Article 1.1 that were not amended by Measure S. This new ordinance may require substantial changes to your current practices and you are responsible for collecting the tax on all covered services. This letter constitutes notice under the California Public Utilities Code Section 799(a).

The Communications Users Tax remittance form has been revised. This form will be available on the Office of Finance website on March 15, 2008. If your business is not registered with the City of Los Angeles, registration information is available at http://www.lacity.org/finance/.

All service providers, whether or not registered with the City of Los Angeles, may e-mail the Office of Finance at Finance.PhoneTax@lacity.org regarding Communications Users Tax questions.

Sincerely,

Antoinette D. Christovale
Director

Disclaimer: Advice on tax matters is only binding if issued by the Director of Finance or the Mayor and City Council in writing. Oral and/or unauthorized advice on tax matters is not binding upon the City.