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PROTECT LOCAL AUTHORITY AND REVENUE

Home to over 12 percent of the nation's population, California boasts the largest and most diverse state population in the country. As of the 2010 Census, California cities are home to approximately 31 million of the state's 38 million population. Preparing for ongoing population increases, while maintaining critical community services and navigating through the latest economic downturn has been significantly challenging for California cities. Meeting this challenge will require considerable coordination and collaboration between governments at both the federal, state, and local levels. The League stands ready to work with you to safeguard existing local authority in order to provide cities the tools to respond quickly and effectively when demanding fiscal situations arise. Through this authority California cities will continue to organize revenue generating and development strategies that are capable of supporting strong future economic growth.

The following priority issues are critical to the ability of cities to raise local revenue and some set dangerous federal precedents for aiding extremely profitable private sector entities.

- **Oppose the Internet Tax Fairness Act:** For several years Congress has introduced legislation which would impose a moratorium on state and local taxes on internet services. This legislation would remove a much needed local government revenue source during a time of great fiscal crisis for California's cities, solely to benefit an industry whose subscribership, and revenues, has significantly grown. In addition to imposing an undue financial burden on California local governments, this legislation would undermine the efforts of a number of cities in California that are working to update and simplify their tax ordinances to assure technology-neutrality. These cities are working directly with voters to modernize these ordinances, which voters are approving as required under California law. A simple and limited exemption for voter-approved local taxes will resolve the problem without impacting consumer access to Internet products.
- **Close the Online Sales Tax Loophole:** With the advent of the internet and online sales transactions, the country is now navigating it ways through the "new economy." This transition is both exciting and challenging for California cities. Exciting in that it creates new opportunities for cities to increase community services and boost civic engagement, but challenging given the gaps in law and lack of collaboration in technology infrastructure investment opportunities. Specifically, cities are experiencing significant challenges pertaining to the collection of taxes owed on

internet retail purchases and transactions occurring through online-based ventures such as online travel and sharing economy companies.

The League supports the closure of the online sales tax loophole and e-fairness legislation, like the Marketplace Fairness Act, which would allow states to require online retailers collect sales tax at point of sales, as brick-and-mortar business do currently. This legislation would place community businesses on a level playing field with online retailers and afford consumers more choice through fair competition. In addition, collecting owed sales taxes means more money for basic services, such as roads and police officers, without increasing the overall federal deficit.

- **Protect Municipal Bonds:** The League opposes any attempt to eliminate or limit the traditional tax exemption for municipal bonds, whether as a part of a deficit reduction plan, a push for comprehensive tax reform or as an offset for new spending. As the Administration and Congress look for revenue to reduce the deficit and still fund programs, the federal income tax exemption provided to interest paid on state and municipal bonds (debt) is under threat. In addition to increasing taxes, the federal government can raise revenue by expanding what is subject to being taxed (broadening the base); as an alternative to raising taxes, interest paid on bonds issued by local governments currently not taxed could lose their exemption from taxation.