



**COUNTY OF SAN MATEO**  
**Inter-Departmental Correspondence**  
County Manager



**DATE:** January 4, 2013  
**BOARD MEETING DATE:** January 29, 2013  
**SPECIAL NOTICE/HEARING:** None  
**VOTE REQUIRED:** Majority

**TO:** Honorable Board of Supervisors

**FROM:** John L. Maltbie, County Manager

**SUBJECT:** Agreements with the State Board of Equalization for Preparation and Administration Related to the One-Half Cent Retail Transactions (Sales) and Use Tax

**RECOMMENDATION:**

Adopt a Resolution authorizing the President of the Board of Supervisors to execute agreements with the State Board of Equalization for implementation and administration of a Local Transactions and Use Tax.

**BACKGROUND:**

In connection with approval by voters of a one-half cent Retail Transactions (Sales) and Use Tax in November 2012, on July 31, 2012 your Board adopted ordinance No. 04630 which codifies this tax in Chapter 5.150 of the County Ordinance Code. The State Board of Equalization (BOE) will be responsible for collecting the tax, and in connection with carrying out this responsibility, it will incur certain costs associated with (1) preparation for collecting the tax and (2) administering the collection the tax. Before undertaking these tasks, the BOE requires that the County enter into two contracts with the BOE in which the County will agree to pay these costs, with one contract covering preparation costs and the other covering ongoing administrative costs.

**DISCUSSION:**

The County Manager's Office recommends that your Board approve the "Agreement for Preparation to Administer and Operate District's Transactions and Use Tax Ordinance" (Preparatory Agreement) and the "Agreement for State Administration of District Transactions and Use Taxes" (Administration Agreement), both of which mirror form agreements provided by the BOE to the County. Part 1.6 of Division 2 of the Revenue and Taxation Code addresses Transactions and Use Taxes and requires that the County contract with the BOE for administration of a transactions and use tax. The term "District" is defined in Revenue and Taxation Code Section 7252 to include "any city, county, city and county, or other governmental entity authorized to impose transaction and use taxes...." The Preparatory Agreement covers costs associated with preparation occurring prior to the effective date of the tax, while the Administration Agreement covers

costs incurred throughout the 10-year life of the tax.

County Counsel has reviewed and approved the Resolution and Agreements as to form.

The agreements for BOE's preparation and administrative services in connection with the sales tax contributes to the shared vision of a Collaborative Community, where leaders inform and engage residents and approach issues with fiscal accountability and concern for future impacts.

**FISCAL IMPACT:**

With respect to the Preparatory Agreement, Revenue and Taxation Code Section 7272 establishes a not-to-exceed amount of \$175,000. Revenue and Taxation Code Section 7273 identifies the methodology for the BOE's calculation of charges to be imposed pursuant to the Administration Agreement. Applying the methodology set forth in Section 7273, the BOE estimates it will charge approximately 1.1% or \$660,000 of the annual revenue associated with the new tax each year for administration under the terms of the Administration Agreement.