

# Agenda Report

**TO:** City Council April 24, 2000  
**FROM:** Cynthia J. Kurtz, City Manager  
**SUBJECT:** Support for legislation that upholds the City's authority to tax activities that fall under the jurisdiction of local government

## **RECOMMENDATION**

It is recommended that the City Council adopt the attached resolution and authorize the Mayor to send letters to the appropriate officials supporting the following legislation:

1. Assembly Bill 2412 (Migden) – Sales and Use Taxes: Retailer;
2. Any legislation that supports the City's authority to impose taxes on activities that fall under the jurisdiction of local government, including but not limited to activities conducted over the Internet.

## **BACKGROUND**

Retailers engaged in business in the State of California are required to collect and remit sales taxes on purchases that occur over the Internet. Internet iterations created by existing retailers in this State are attempts to circumvent sales or use taxes for Internet purchases made from a separate subsidiary or affiliate that is located out of state.

### **Discussion**

AB 2412 clarifies that a retailer is engaged in business in the State of California if the retailer is associated with a retailer maintaining sales locations in this state, selling similar products under a similar name as the California retailer, or uses facilities or employees of the associated California retailer to advertise or promote sales by the retailer to California purchasers. The processing of orders electronically, by fax, telephone, the Internet, and other electronic ordering processes does not relieve a retailer of responsibility for collection of sales tax from the purchaser

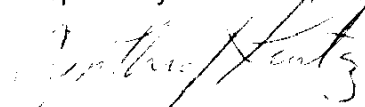
**Bill Status**

On February 24, 2000, Assembly Members Migden and Aroner introduced AB 2412 as a non-urgency statute. The bill was referred to the Assembly Committees on Revenue and Taxation and Information Technology on March 13, 2000.

**FISCAL IMPACT**

AB 2412 would have a positive fiscal impact for the City of Pasadena by further defining revenue sources for local governments. This bill clarifies the local sales and use tax obligations for retailers engaged in business in the State of California which also have a presence on the Internet.

Respectfully submitted,



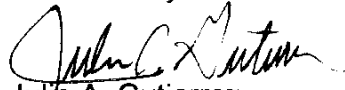
CYNTHIA J. KURTZ  
City Manager

Prepared by:



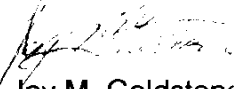
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