

CITY ATTORNEY'S IMPARTIAL ANALYSIS OF CITY OF CARMEL-BY-THE-SEA
TRANSACTIONS AND USE TAX MEASURE

The City Council has placed on the ballot the question of whether to approve an ordinance amending the transactions and use tax within the City of Carmel-by-the-Sea. The ordinance would repeal the existing transactions and use tax rate of one percent (1%), which otherwise will expire on March 31, 2023, and replace it with a transaction and use tax of one and one-half percent (1.50%) of the retail sales price, or one and one-half cent for an item that costs one dollar, for a term of 20 years.

Currently, the tax on retail sales within the City of Carmel-by-the-Sea is 8.75% of the purchase price. Technically, the existing 8.75% "sales tax" is a combination of "sales and use tax" and "transactions and use tax." Both are levied on the sale or use of tangible personal property sold at retail. Retailers collect the tax at the time of sale and remit the funds to the California Department of Tax and Fee Administration, which administers the tax. The City receives 2.0%, the County of Monterey 0.75% and the remaining 6.0% goes to the State.

This measure would authorize an additional 0.50% (one-half of one percent) transactions and use tax, which would increase the total sales tax rate within the City of Carmel-by-the-Sea to 9.25%. Of that total amount, 2.5% would be received by the City and deposited in its general fund and be available to support the full range of municipal services. This tax on retail sales is paid by non-residents as well as residents. Certain necessities of life, including purchases of food or medicine, are exempt from the tax.

The City Council and staff estimate the 0.50% (one-half of one percent) transactions and use tax increase would result in additional revenue to the City of Carmel-by-the-Sea of approximately \$1.5 million annually over the next 20 years.

Because this measure does not legally restrict the use of tax revenue to any specific purposes, it is classified as a "general tax," not a "special tax." The tax proceeds may be used for any valid municipal government purpose, including but not limited to, local street maintenance, 911 emergency medical, police and fire response, pedestrian/cyclist/traffic safety, park maintenance, library services, programs for youth and seniors, and to preserve the City's long-term financial stability.

A "Yes" vote is a vote in favor of the tax. A "No" vote is a vote against the tax. This measure will be approved if it receives a simple majority of "Yes" votes. If this measure is approved, the total sales tax rate within the City of Carmel-by-the-Sea will increase to 9.25%. If this measure is not approved, the total sales tax rate within the City of Carmel-by-the-Sea will remain at 8.75% until the City's existing transactions and use tax rate of one percent (1%) expires on March 31, 2023.

The above statement is an impartial analysis of the City of Carmel-by-the-Sea Transactions and Use Tax Measure. If you desire a copy of the ordinance, please call the City Clerk's office at 831-620-2016 and a copy will be mailed at no cost to you.

DATED: November 15, 2019

Brian A. Pierik, Carmel-by-the-Sea City Attorney