



# City of Grand Island

Tuesday, August 09, 2011

Council Session

## Item F9

**#9308 - Consideration of Amending Chapter 23 of the Grand Island City Code Relative to Telephone Occupation Tax**

Staff Contact: Mary Lou Brown

# Council Agenda Memo

**From:** Mary Lou Brown, City Administrator  
**Meeting:** August 9, 2011  
**Subject:** Cell Phone Company Occupation Tax  
**Item #'s:** F-9  
**Presenter(s):** Mary Lou Brown, City Administrator

## Background

This memo was originally brought forward by City Administration at the July 26, 2011 Council meeting. Council voted to refer the item to the August 9, 2011 Council meeting.

## Discussion

The City of Grand Island currently imposes a 3% occupation tax on all telephone companies doing business in the City and providing either a fixed location or landline telephone service or two way cellular, wireless, mobile and/or radio telephone or communications service. The money received from this occupation tax is dedicated to the General Fund and is used to provide partial funding for those particular departments.

For the fiscal year 2012, the City is losing \$375,000 of revenue related to the State Aid to Cities funding and is expecting to pay approximately \$125,000 in sales tax refunds related to the Nebraska Advantage Act. Both the State Aid to Cities and sales tax receipts are dedicated to the General Fund and are used to provide partial funding for services provided by that fund.

In order to replace these lost revenue dollars with revenue dollars, an increase to the cell phone company occupation tax portion of the tax is being recommended. Cell phone is defined as two way cellular, wireless, mobile and/or radio telephone or communications service. The percentage would increase from 3% to 6% and would be applied to only those gross receipts from the legally established basic monthly charges collected for local and intrastate telephone or communications services to subscribers within the City. The increased rate would generate approximately \$500,000.

The funds related to the increased percentage would be dedicated to the General Fund – just like the existing occupation tax and just like the revenue dollars that have been lost

due to changes enacted by the State Legislature. The dollars will provide funding to those departments that are included in the General Fund. This rate adjustment is meant to replace \$500,000 lost in the General Fund and will be used to maintain General Fund services.

### **Alternatives**

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Move to approve the increase in the cell phone occupation tax from 3% to 6%.
2. Postpone the issue to a future meeting.
3. Take no action.

### **Recommendation**

City Administration recommends that the Council approve the Ordinance before it amending Grand Island City Code §23-21 and enacting Grand Island City Code, Article VIII, §23-80.

### **Sample Motion**

Move to approve Ordinance No. 9308 amending Grand Island City Code §23-21 and enacting Grand Island City Code, Article VIII, §23-80.

ORDINANCE NO. 9308

WHEREAS, the City of Grand Island finds it necessary to amend Grand Island City Code §23-21 to separate fixed location or landline telephone service from two way cellular, wireless, mobile and/or radio telephone or communications service; and

WHEREAS, the City of Grand Island finds it necessary to enact Grand Island City Code §23-80, to reflect the separate application of occupation tax to two way cellular, wireless, mobile and/or radio telephone or communications service,

BE IT ORDAINED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA:

I. That Grand Island City Code §23-21 be amended to read as follows:

Article III. Telephone Companies

§23-21. Occupation Tax; Exemption

All telephone companies doing business in the City and providing fixed location or landline telephone service are required to pay an occupation tax to the City in an amount equal to three percent of the gross receipts from the legally established basic monthly charges collected for local exchange telephone service and intrastate message toll telephone service to subscribers in the City. There shall be exempted from the provisions of this article all receipts for telephone service to the United States government or any of its departments and all receipts from the State of Nebraska or any of its departments and no part or portion of the tax provided for in this article shall be levied upon or assessed against or taken from the United States government, the government of the State of Nebraska, or any of either of their departments.

II. That Grand Island City Code, Article VIII, §23-80 be enacted to read as follows:

Article VIII. Cellular or Wireless Telephone or Communications Companies

§23-80. Occupation Tax; Exemption

All telephone or communications companies doing business in the City and providing two way cellular, wireless, mobile, and/or radio telephone or communications service are required to pay an occupation tax to the City in an amount equal to six percent of the gross receipts from the legally established basic monthly charges collected for local and intrastate telephone or communications services to subscribers within the City. There shall be excepted from the provisions of this article all receipts for cellular, wireless, mobile, and/or radio telephone or communications service to the United States government or any of its departments and all receipts from the State of Nebraska or any of its departments and no part or portion of the tax provided for in this article shall be levied upon or assessed against or taken from the United States government, the government of the State of Nebraska, or any of either of their departments.

Approved as to Form	?
August 2, 2011_	? _____ City Attorney

III. Any ordinances or parts of ordinances in conflict are hereby repealed.

IV. This ordinance shall be in full force and will take effect from and after its passage and publication on October 1, 2011.

Enacted: August 9, 2011.

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Jay Vavricek, Mayor

ATTEST:

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RaNae Edwards, City Clerk