

Proposed Ordinance Enacting a Business License Tax on the Business of Producing Oil

January 21, 2014

Santa Barbara County

Board of Supervisors



Background

- 12-16-2013 – Board direction on ordinance options and established ad hoc subcommittee
- 1-10-2014 – Ad Hoc Subcommittee met and provided additional direction to staff
- Ordinance establishes a Business License Tax on the Business of Producing Oil in the unincorporated area of Santa Barbara County
- Special tax will require support of two-thirds of the electorate
- Staff report will review ordinance section by section

Business License and Amount

- Tax rate is set at \$1.00 per barrel produced
- The tax rate will adjust:
 - Beginning in January 2016 and then annually,
 - By percentage change in the Producers Price Index for Crude Petroleum and Natural Gas Extraction published by the United States Department of Labor
- The Business License Tax will be determined by:
 - Number of barrels from wells producing more than 1,800 barrels per year
 - In unincorporated area of the County and within three miles seaward of the mean high tide line
- Oil wells in incorporated areas will not be subject to the tax

Special Tax Revenue Uses

- Of the first \$3,000,000 collected each year, the Board will allocate:
 - \$500,000 for libraries in the Countywide Library System, including for books, materials, operations, deferred maintenance, repairs, construction, acquisition, replacement and/or equipment;
 - \$1,250,000 for County-operated parks and open spaces, including deferred maintenance, repair, construction, acquisition, replacement and/or equipment; and
 - \$1,250,000 for fire stations owned by the County or the Santa Barbara County Fire Protection District, including deferred maintenance, repair, construction, acquisition, replacement and/or equipment

Special Tax Revenue Uses

- If less than \$3,000,000 is collected, the allocations for each of will be reduced proportionally
- Additional revenues above \$3,000,000 will be allocated for any of the three purposes listed above, at the discretion of the Board of Supervisors
- County departments may be funded from revenues for actual tax administration and enforcement costs, not to exceed 5% of the total tax revenue per year
- Tax proceeds can only be used for the purposes listed
- Allocations to parks, open spaces and fire stations can not be used for program operations

License & Tax Due Dates

- Persons would be required to obtain an annual business license before January 1, 2015, or prior to engaging in the business of producing oil, whichever is later
- Business License Tax will be effective beginning January 1, 2015 and the first payment will be due on March 1, 2016 and each March 1st following
- Delinquent if not paid on or before March 31st each year
- 10 – 20% delinquency payment plus interest
- Possible 25% fraud payment plus interest

Recordkeeping, Payments, Appeals

- Payment made with T-TC form submitted with computation of per barrel tax
- Licensee is required to keep records of oil produced
- Tax Collector may assess an estimated amount of tax liability
- Licensee may request a hearing with Tax Collector on the assessed amount
- May Appeal Tax Collector decision to Board

Next Steps, if Measure goes to Ballot

- May appoint one or more member(s) to author, sign and submit an argument in favor
- Direct arguments may be submitted between February 17 and 26, 2014 to the Elections Division
- A rebuttal may be submitted between February 27 and March 10, 2014 to the Elections Division
- Resolution directs County Counsel to prepare an impartial legal analysis , and
- Auditor-Controller to prepare a fiscal impact statement for the ballot

Recommended Actions

- a. Receive and consider a report from staff;
- b. Consider the introduction (First Reading) of an ordinance enacting Chapter 22 Article VI of the SB County Code;
- c. Read title: “Ordinance of the Board of Supervisors of the County of Santa Barbara Enacting Chapter 22 Article VI of the Santa Barbara County Code Imposing a Business License Tax on the Business of Producing Oil” and waive reading;
- d. Appoint member(s) of the Board of Supervisors to author, sign and submit on behalf of the Board an argument in favor of the business license tax ballot measure and any rebuttal; AND
- e. Set a hearing on the Administrative Agenda for 2/4/2014.