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Jacks v. City of Santa Barbara

Supreme Court of California, California - June 29, 2017 - P.3d - 2017 WL 2805638

Utility consumers, who incurred one percent surcharge on their electricity bills collected by electric company and remitted to city, filed class action complaint against city, seeking order declaring that surcharge was invalid as a tax imposed without voter approval, enjoining city from further collection of surcharge, and requiring city to repay revenues already collected.

The Superior Court granted city summary judgment. Consumers appealed. The Court of Appeal reversed and remanded with directions. City petitioned for review. The Supreme Court granted review, superseding the opinion of the Court of Appeal.

The Supreme Court of California held that city's surcharge on electric company's gross receipts was compensation for use of government property rather than a tax subject to voter approval, if it bore a reasonable relationship to the value of the property interest.

Sums paid for the right to use a jurisdiction's rights-of-way are fees rather than taxes under the Right to Vote on Taxes Act, but to constitute compensation for the value received, the fees must reflect a reasonable estimate of the value of the franchise, and fees are taxes to the extent the fees exceed a reasonable amount in relation to the benefits or costs underlying their imposition.

City's surcharge on electric company's gross receipts was compensation for use of government property rather than a tax subject to voter approval under the Right to Vote on Taxes Act, if it bore a reasonable relationship to the value of the property interest, even though the electric company passed the surcharge on to customers by including part of it in the rates paid by customers and separately stating the rest on the bill, since the surcharge was a payment made in exchange for a property interest that was needed to provide electricity to city residents.

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