

COUNTY COUNSEL  
DAVID A. LIVINGSTON

**EL DORADO COUNTY  
OFFICE OF  
THE COUNTY COUNSEL**

COUNTY GOVERNMENT  
CENTER  
330 FAIR LANE  
PLACERVILLE, CA  
95667  
(530) 621-5770  
FAX# (530) 621-2937

ASSISTANT COUNTY COUNSEL  
JANETH D. SANPEDRO

SR. DEPUTY COUNTY COUNSEL  
PAULA F. FRANTZ  
KATHLEEN A. MARKHAM  
ABIGAIL L. ROSEMAN  
STEPHEN L. MANSELL



DEPUTY COUNTY COUNSEL  
LAUREN C. BOWERS  
BREANN M. MOEBIUS  
BETH A. McCOURT  
ROGER A. RUNKLE  
SHARON CAREY-STRONCK  
DANIEL S. VANDEKOOLWYK

May 28, 2020

Board of Supervisors  
330 Fair Lane  
Placerville, CA 95667

Agenda: June 9, 2020 (Legistar # 20-0704)

**Re: *Denial of Claim For Refund of Property Taxes***  
***Claimant: SPRINT TELEPHONY PCS, L.P.***

Honorable Chair and Members of the Board of Supervisors:

On December 9, 2019, SPRINT TELEPHONY PCS, LP (“SPRINT”) submitted a claim for a partial refund of unitary taxes paid for tax years 2015-16 pursuant to Revenue & Taxation Code section 5097. Specifically, SPRINT claims that the tax rate the County applied to compute their unitary taxes violates two sections of the California Constitution. SPRINT is requesting a refund of \$10,339.44. It is recommended that your Board deny this claim.

**Background: Denial of SPRINT’s Prior Tax Refund Claim**

Your Board may recall that SPRINT, along with three other phone companies, filed an almost identical tax refund claim in 2018. That claim was presented to your Board for consideration in May of 2019. As set forth in the Board letter submitted under Legistar Item 19-0825, the County Counsel’s Office and the Auditor’s Office determined that the County properly applied the unitary tax rate and that the taxes were valid under State law. Your Board unanimously denied the 2018 claims on May 19, 2019. The phone companies have attempted and failed to obtain legislative changes to the tax rate laws and there has been no subsequent judicial case law on this subject. Therefore, it is recommended that SPRINT’s present claim be denied on the same legal grounds that led your Board to deny the previous claims.

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**Summary of Legal Analysis**

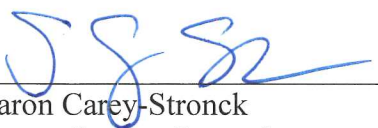
To briefly summarize our prior Board Letter, the applicable tax rates set by California State law require the phone companies to pay for debt service (such as school bonds) in all of the tax rate areas served. This requires the companies to pay a much larger portion of debt service than the average tax payer. The phone companies are arguing that the current system of tax rates is unconstitutional.

Current state law and historical case law does not support the phone companies' constitutional arguments. Therefore if the County were to grant a *retroactive* refund of prior payments, such action could have a significant and negative impact on County resources. Based on the fact that the prior tax payments have already been distributed to the various special districts and taxing entities, it would be extremely difficult for the County to recover these costs. In addition, the County would be at substantial risk of being sued by any number of districts and taxing entities for failing to follow current State law and failing to apply proscribed tax rates.

As set forth in the summary above, the County properly calculated the unitary tax rate as required pursuant to State law and the taxes at issue are valid. IT IS THEREFORE RECOMMENDED that your Board deny this claim filed on December 9, 2019, by SPRINT.

Very truly yours,

DAVID A. LIVINGSTON  
County Counsel

By   
Sharon Carey-Stronck  
Deputy County Counsel

Encl: Sprint Telephony P.C.S, LP, Tax Refund Claim Submitted December 9, 2019