

REPORT

To the Honorable Mayor and City Council
From the City Manager

August 7, 2006

Subject

Claim from Evercom Systems, Inc.

Recommendation

Staff recommends the rejection of subject claim.

Background

Evercom Systems, Inc. (claimant) requests a refund for the utility users' taxes (UUT) paid to the City of Redwood City during the period from May 1, 2003 through April 30, 2006, alleging that under the recently issued IRS Notice 2006-50, the IRS and the U.S. Treasury have conceded that telecommunications services provided on a flat rate basis are not subject to federal excise tax under Sec. 4251.

Evercom is requesting a refund of UUT paid on prepaid flat rate phone cards. Don Maynor, the attorney engaged by the City to provide legal advice on UUT matters, has reviewed this claim and has recommended that this claim be denied.



Brian J. Ponty
Director of Finance and Financial Planning



Edward P. Everett
City Manager