

**CITY OF SAN JOSÉ
MEASURE H**

To fund general San José services, including fire protection, disaster preparedness, 911 emergency response, street repair, youth programs, addressing homelessness, and supporting vulnerable residents, shall an ordinance be adopted increasing the cardroom tax rate from 15% to 16.5%, applying the tax to third party providers at these rates: up to \$25,000,000 at 5%; \$25,000,001 to \$30,000,000 at 7.5%; and over \$30,000,000 at 10%, increasing card tables by 30, generating approximately \$15,000,000 annually, until repealed?

**YES
NO**

**CITY ATTORNEY'S IMPARTIAL ANALYSIS OF
MEASURE H**

Measure H was placed on the ballot by the City Council and, if approved by a majority of the voters, would enact an ordinance amending the San José Municipal Code to increase the rate of the current cardroom tax, add a new tax on the gross revenues of Funding Sources that is defined to include third-party providers of proposition player services ("TPPPS"), and increase the number of card tables in the City. A TPPPS, under contract with a cardroom, banks the games offered and may cover the payment of bets, since cardrooms are prohibited under California law from banking the games.

The increased cardroom tax and the new tax imposed on gross revenues of Funding Sources are general taxes which means the tax revenues may be used for any general governmental purpose.

The proposed ordinance amends Chapter 4.77 to increase the cardroom tax rate on gross revenues of the cardrooms from 15% to 16.5%. It also adds a new tax on the gross revenues of Funding Sources at one of the following rates:

Total Annual Gross Revenues	Rate
Up to \$25,000,000	5%
\$25,000,001-\$30,000,000	7.5%
Over \$30,000,000	10%

For example, a Funding Source's total annual gross revenues of \$35,000,000 would be taxed at a rate of 10% on the entire \$35,000,000. The tax owed would be \$3,500,000.

Gambling in the City is subject to State law and the City's Municipal Code. Under Chapter 16.04 of the Code, expansion of gambling in the City, as defined, requires voter approval. The proposed ordinance amends Title 16 to increase the total number of tables allowed in the City from 98 to 128, with the total number of tables allowed at each cardroom to increase from 49 to 64.

If the increase in the table limit at each cardroom is approved by the voters, then each cardroom would be able to seek City approval to increase the number of tables from 49 to 64.

Currently, under Chapter 4.77 and Title 16, the City has the right to audit the cardrooms and under Title 16, the cardrooms and Funding Sources are subject to City oversight. The proposed ordinance makes no changes to these auditing and oversight provisions. The City Council retains the authority to amend or to repeal provisions in Title 16 in order to revise the City's gaming control regulations.

**CITY ATTORNEY'S IMPARTIAL ANALYSIS OF
MEASURE H-Continued**

If approved, the cardroom tax rate increase and the new tax on Funding Sources would be effective on January 1, 2021 and would continue until repealed by the voters or suspended in whole or in part by the City Council.

A "Yes" vote is a vote to approve this measure.

A "No" vote is a vote to reject this measure.

Nora Frimann
Acting City Attorney, City of San Jose

The above statement is an impartial analysis of Measure H. If you would like to read the full text of the measure, see www.sanjoseca.gov/measureH2020 or call 408-535-1260 and a copy will be sent at no cost to you.

ARGUMENT IN FAVOR OF MEASURE H

Measure H has won the support of every City Councilmember since it provides much needed additional revenue for the City of San José to support general City services. These services include preserving fire protection, preparing for natural disasters, public health emergencies, maintaining 911 emergency response, improving city streets and parks, developing youth and senior programs, addressing homelessness, and providing support for residents and small businesses struggling during the economic recovery.

Measure H will only increase the tax paid by the two cardroom businesses operating in the City. This is the first cardroom tax increase in over 10 years. **Measure H will not increase the taxes of non-cardroom City businesses.**

Measure H is a fix to the City's tax system ensuring all types of cardroom businesses, including third-party businesses under contract with the cardrooms to help them operate, **pay their fair share in taxes.** And, by doing so, this measure will **generate millions of dollars in new revenue** for basic City services. **Measure H does not increase the taxes of any other City businesses.**

Measure H increases the number of card tables in city cardrooms by 30 (15 tables per cardroom). This will bring the total number of card tables in San José to 128. Currently, many San José residents leave the city to visit other cardrooms and casinos in neighboring communities. Increasing the number of card tables allows these San José businesses to remain competitive and **keeps the money spent at cardrooms and casinos local.**

Please join us in voting YES on Measure H.

Raul Peralez
Councilmember, City of San Jose

Johnny Khamis
Councilmember, City of San Jose

NO ARGUMENT AGAINST MEASURE H WAS SUBMITTED