

CITY OF OAKLAND
OFFICE OF FINANCE
REVENUE DIVISION
DIRECTOR OF FINANCE RULING NO. 24
CONTRACTED SERVICES

Reference: Sections 5-1.28 and 5-1.29 of the Oakland Municipal Code.

General Statement

Establishes the measure of tax for persons engaged in business as a service provider.

BACKGROUND

In 1989 several meetings and discussions were held at the request of a Health Maintenance Organization around the issue of how the measure of tax would be determined for contracted services.

RULING OF THE DIRECTOR OF FINANCE

Any person engaged in the business of providing a service for which said person is restricted by law from the delivery of such service to a recipient and, therefore, must contract with another for the actual performance or delivery of such service shall be taxed only on the gross receipts related to the services they legally can provide.

Specific Application – Health Maintenance Organizations:

Any person engaged in the business of a health services provider that is designated as an Health Maintenance Organization under the regulation of the State of California Department of Corporations shall be taxed as provided by Section 5-1.29 of the Oakland Municipal Code.

In those instances where it is demonstrated that a designated Health Maintenance Organization is restricted and/or prohibited by law from performing or delivering of health service, and therefore must enter into a contract with another person(s) for the delivery of said health services to the recipient thereof, the measure of tax shall be the total gross receipts that inures to the Health Maintenance Organization, exclusive of payment made under contract to the health services provider(s).

In those instances where a Health Maintenance Organization is not restricted and/or prohibited by law from directly performing and delivering health services to the recipients thereof, the measure of the tax shall be as provided by section 5-1.02(d) and 5-1.29 of the Oakland Municipal Code and the apportionment ruling related to professional/semi professional connected Business and Business and Personal Services.

Note: Total payments made by a non restricted Health Maintenance Organization pursuant to a contractual agreement with another/other health service provider(s) may not be deducted from the Health Maintenance Organization's total Gross Receipts in determining the measure of tax.