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INDIRECT TAX

California court holds Glendale communications users tax inapplicable to video streaming absent voter approval

Tax Alert

Overview

On July 7, 2026, the Los Angeles County Superior Court granted a motion for writ of administrative mandate in *Hulu, LLC v. City of Glendale*, No. 25NNCP00413 (Cal. Super. Ct. L.A. Cnty. July 7, 2026). The petitioners, Hulu, LLC, BAMTech, LLC, and Disney Platform Distribution, Inc., had requested a peremptory writ instructing the City of Glendale ("Glendale") to set aside its City Manager's order upholding tax assessments under Glendale's Communications Users Tax ("CUT") for residents' use of the petitioners' streaming platforms. The court concluded that the ballot pamphlet made available to Glendale's voters in connection with Measure U makes no mention of video services, and that Glendale's attempt to collect the CUT from the petitioners therefore requires voter approval under Proposition 218.

The court reached that conclusion while applying the analysis of *Disney Platform Distribution, Inc. v. City of Santa Barbara*, 118 Cal. App. 5th 238 (Cal. Ct. App. 2026) (opinion on rehearing filed Jan. 30, 2026), *review denied* (Cal. Apr. 22, 2026) ("*Santa Barbara*"), in which the Second Appellate District affirmed a judgment denying a petition for writ of administrative mandate brought by the same parties with respect to the City of Santa Barbara's video users' tax. The court found a material distinction between the ballot information provided to voters in Santa Barbara and the materials placed before Glendale's voters.

This Tax Alert summarizes the July 7, 2026 ruling, which was issued as a minute order adopting the court's tentative ruling and is not a published decision.

Background

Since 1969, a utility users tax ("UUT") has been collected by service suppliers and owed by resident consumers in Glendale for the provision or delivery of utility services, including electricity, gas, water, telephone, and cable television. In 2008, the tax was updated to restate the existing provisions pertaining to telephone and cable television service with modernized definitions and to include taxes on "telecommunication services" and "video services." Glendale's voters approved the CUT by majority vote on April 7, 2009. The provision at issue is the video services tax on those who provide "one or more channels" of video programming for a fee, and, as with other UUTs, video service suppliers collect the CUT from subscribers for remittance to Glendale.

On January 11, 2023, the petitioners received deficiency notices informing them that they owed back taxes, interest, and penalties for services dating back to 2019. At a hearing before the Tax Administrator held on April 20, 2023, the petitioners argued that they did not provide or deliver video content to Glendale subscribers but only made the content available online, to be delivered to subscribers through internet service providers ("ISPs"). The

Tax Administrator reasoned that the CUT applied to the petitioners because they offered videos similar to first-run television programming available on basic and premium cable channels.

The petitioners then appealed to Glendale's City Manager, who delegated the hearing duties to the Assistant City Manager. The City Manager upheld the assessments, finding that the petitioners, as video service suppliers, are responsible for providing or delivering the video programming to customers via streaming even though the ISPs facilitate the transmission of data. On May 16, 2025, the petitioners filed a petition for writ of administrative mandate under California Code of Civil Procedure sections 1094.5 and 1094.6.

The parties disputed whether Measure U's ballot materials reached video streaming

The petitioners argued that Glendale was improperly reinterpreting the CUT to expand its application to internet video platforms in contravention of Proposition 218, and that voters did not approve a tax on internet streaming when they approved Measure U. The petitioners argued that the ballot materials assured voters that Measure U would not impose a tax on internet access or digital downloads and that a tax on internet video platforms was not contemplated. The petitioners further argued that Glendale is prevented from imposing an amorphous tax whose scope could be changed without a future vote, citing *AB Cellular LA, LLC v. City of Los Angeles*, 150 Cal. App. 4th 747, 762 (Cal. Ct. App. 2007).

In opposition, Glendale argued that the voters approved an ordinance that treats all video programming services as taxable communication services, including IP-TV, IP-Video, and other services that use internet protocol. Glendale also pointed to ballot materials to argue that the voters understood that the CUT would apply to all current and future communications technologies so that taxpayers are treated the same regardless of the technology used. Glendale contended that the materials made available to its voters are materially indistinguishable from those reviewed by the *Santa Barbara* court and are sufficient to conclude that voters agreed to tax streaming services.

The court applied the voter intent framework adopted in *Santa Barbara*

Article XIII C, section 2(b) of the California Constitution provides that the electorate must approve by majority vote any increase in a local government general tax. In ascertaining voter intent, a court looks first to the words of the provision in question, giving them their natural and ordinary meaning unless it appears they were used in some technical sense. The words are understood not as the words of the city council, the mayor, or the city attorney, but as the words of the voters who approved the ordinance, and in the common popular way, absent some strong and convincing reason to the contrary.

In its opinion on rehearing, the *Santa Barbara* court addressed how a general tax approved by the electorate under article XIII C, section 2(b) is to be construed. Relying on *California Cannabis Coalition v. City of Upland*, 3 Cal. 5th 924, 946-47 (Cal. 2017), the court explained that the electorate did not enact the ordinance at issue but approved it, and that the ordinance was enacted by the city. The court stated that it was unable to find authority discussing how a court should interpret an ordinance approved by the electorate under section 2(b) rather than enacted through the initiative process, and concluded that, as with a voter initiative, the electorate's intent controls, reasoning that the constitutional approval requirement would be meaningless if the tax could be construed in a manner inconsistent with the electorate's intent. On that basis, the court rejected the appellants' contention that it erred in failing to consider the intent of the city council in placing the ordinance on the ballot, noting authority that a legislator's statement of opinion, understanding, or interpretation of an ordinance is disregarded in construing it.

In *Santa Barbara*, the Second Appellate District analyzed a similar utility user tax covering video programming and any and all services related to the providing, recording, delivering, use or enjoyment of video programming using one or more channels by a video service supplier, regardless of the technology used to deliver, store or provide such services. The appellants there argued that the electorate had to approve the taxes imposed on their streaming services because the city expanded its tax base when collecting the video users' tax from internet streamers. The *Santa Barbara* court reviewed the ballot materials to determine the voters' intent in approving the tax and concluded that the voters had approved of taxing video streaming services, noting the impartial analysis in the ballot pamphlet stating that the modernized technical definitions in the Measure G ordinance would apply to all types of telecommunication regardless of the technology used to provide such communications. The *Santa Barbara* court concluded that the video users' tax had not been increased beyond what was approved by the electorate in 2008.

The Glendale ballot materials make no mention of video services

The court found a material distinction between the ballot information provided to voters in Santa Barbara and the materials placed before Glendale's voters. Whereas the Santa Barbara impartial analysis informed voters that the ordinance would apply to video services, the Glendale ballot pamphlet makes no mention of video services and references only older telephone technology and newer telecommunications technology, with the proposed tax being levied on each user of a telephone.

The court further found that the impartial analysis emphasizes a tax reduction and refers to telephone companies and telephone customers, and states that Measure U applies to existing landline, including long distance, wireless and other phone technology, without reference to video services provided over the internet or to subscription-based streaming platforms. The argument in favor of Measure U emphasizes that Measure U is not a new tax and references only telecommunications services and communications technology.

The court also observed that the text of the CUT ordinance was not provided in the ballot materials for voters to consider. Unlike a ballot initiative, where the full text of the proposed law is laid out, a Glendale voter could request the text of the ordinance but was not presented with it, and the court concluded that it is not strictly accurate to state that the voters approved the ordinance except by reference in Measure U. In the court's view, a voter would need the assistance of a legislative analyst and a lawyer to determine from the impartial analysis that Measure U reached present or future streaming or like services, and nowhere in that analysis is there a forthright statement that Measure U was intended to authorize new taxes.

The court additionally noted that Measure U was introduced at a time when only Hulu existed, as a free service, making it less likely that voters would have considered online streaming services to be taxable.

Accordingly, the court held that Glendale's attempt to collect the CUT from the petitioners requires voter approval under Proposition 218, citing *AB Cellular* for the proposition that there are to be no local government taxes that are moving targets.

Procedural status and next steps

The court adopted its tentative ruling as the final order of the court and granted the motion for writ of administrative mandate. The order directs the petitioners to provide a proposed order for the court's signature and states that notice is waived. As of August 24, 2026, no judgment has been entered.

Considerations

Although the two rulings arise under different municipal ordinances, both apply the same framework for a general tax approved by the electorate under article XIII C, under which the intent of the voters governs and the official ballot materials serve as evidence of that intent. The rulings illustrate that the outcome under that framework turns on the ordinance text and the ballot record of the particular jurisdiction rather than on the technology used to deliver the video programming at issue.

Both the Santa Barbara ordinance and the Glendale ordinance were modernized in 2008 to add definitions that operate without regard to the technology used to deliver video programming, and in each case the ordinance was placed before the local electorate. The two rulings address the circumstances in which such definitions were presented to, and approved by, the voters. Considerations arising under ordinances of this type include the following:

- Ordinance text: Whether a jurisdiction's definitions of "video services" and "video service supplier" reach video programming delivered using internet protocol, and whether those definitions operate independently of the delivery technology.
- Ballot record: Where an ordinance was adopted or modernized by ballot measure, whether the impartial analysis, the arguments for and against, and any ordinance text included in the ballot materials addressed video services, and how those materials compare to the records described in Santa Barbara and Glendale.
- Sourcing: Whether an ordinance looks to the customer's service address or billing address, and which address governs when the two differ.
- Registration, commencement, and remittance: The date on which collection commences under a jurisdiction's ordinance or notice, the operation of limitations periods, and the mechanics by which a service supplier collects the tax from subscribers and remits it to the jurisdiction.
- Procedural framework: Local utility users tax ordinances operate within jurisdiction-specific procedures governing deficiency determinations, administrative appeals, and judicial review, as reflected in the proceedings that preceded both rulings.
- Loss-contingency analysis: Whether the holdings in *Santa Barbara* and *Glendale* affect a U.S. GAAP filer's ASC 450 analysis, jurisdiction by jurisdiction, taking into account subscriber counts, revenue, and local rates.

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