

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: The Professional Staff of the Appropriations Subcommittee on Finance and Tax

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BILL: CS/CS/SB 266

INTRODUCER: Appropriations Subcommittee on Finance and Tax; Communications, Energy, and Public Utilities Committee; and Senator Hukill

SUBJECT: Communications Services Taxes

DATE: March 20, 2014

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Wiehle</u>	<u>Caldwell</u>	<u>CU</u>	<u>Fav/CS</u>
2.	<u>Cote</u>	<u>Diez-Arguelles</u>	<u>AFT</u>	<u>Fav/CS</u>
3.	_____	_____	<u>AP</u>	_____

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**Please see Section IX. for Additional Information:**

COMMITTEE SUBSTITUTE - Substantial Changes

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**I. Summary:**

CS/CS/SB 266 reduces the state portion of the communications services tax (CST) rate by 0.58 percent, from 6.65 percent to 6.07 percent and the tax rate on direct-to-home satellite services from 10.8 percent to 10.22 percent. The bill changes the distribution of direct-to-home satellite CST revenue to ensure that local governments continue to receive the same amount of revenue as they do under current law.

The Revenue Estimating Conference has not determined the impact of the bill. Staff estimates that the bill will decrease General Revenue by \$26.7 million in the 2014-2015 fiscal year, with a negative \$71.1 million recurring impact on General Revenue. The bill will also reduce local governments' revenues by \$3.4 million in Fiscal Year 2014-2015, with a negative \$9.1 million recurring impact on local governments.

**II. Present Situation:**

Chapter 202, F.S., provides for the tax on communication services, including telecommunications, cable, direct-to-home satellite and related services. The communications services tax includes a state tax rate of 6.65 percent and a state gross receipts tax rate of 2.52

percent for a combined rate of 9.17 percent.<sup>1</sup> In addition, local governments may impose a local tax rate of up to 7.12 percent.<sup>2</sup>

Direct-to-home satellite service is taxed at a rate of 10.8 percent and is also subject to the 2.37 percent gross receipts tax. The local tax does not apply to these services. However, the state tax on direct-to-home satellite is higher than the state tax on other communication services, for a total tax rate of 13.17 percent. The amount of tax collected from the additional tax is distributed to local governments.

A portion of the state taxes collected – including taxes collected on direct-to-home satellite service – are deposited into the General Revenue Fund and a portion is distributed to local governments.<sup>3</sup> Gross receipts tax collections are deposited into the Public Education Capital Outlay and Debt Service Trust Fund and are used for the capital funding of public schools, community colleges, and universities.

### III. Effect of Proposed Changes:

**Section 1** reduces the state CST rate by 0.58 percent, reducing the general rate from 6.65 percent to 6.07 percent and the rate on direct-to-home satellite from 10.8 percent to 10.22 percent.

**Sections 2 and 4** make conforming changes to the statutes which authorize a communications services dealer to collect a combined rate that includes both the CST and the gross receipts tax to reflect this 2 percent reduction in the communications services tax.

**Section 3** amends section 202.18, F.S., to reduce the percentage of direct-to-home satellite CST tax revenues allocated to the state from 63 percent to 60.9 percent to ensure that local governments continue to receive the same amount of distributions as they receive under current law.

**Section 5** provides that the act applies to taxable transactions included on bills for communications services that are dated on or after January 1, 2015.

**Section 6** provides that the bill takes effect January 1, 2015.

### IV. Constitutional Issues:

#### A. Municipality/County Mandates Restrictions:

The mandate restrictions do not apply because the bill does not require counties and municipalities to spend funds, reduce counties' or municipalities' ability to raise revenue or reduce the percentage of a state tax shared with counties and municipalities.

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<sup>1</sup> See ss. 202.12(1)(a) and 203.01(1)(b), F.S. The gross receipts tax is 2.37 percent, plus an additional 0.15 percent for certain services.

<sup>2</sup> Section 202.19, F.S.

<sup>3</sup> Section 202.18, F.S.

**B. Public Records/Open Meetings Issues:**

None.

**C. Trust Funds Restrictions:**

None.

**V. Fiscal Impact Statement:****A. Tax/Fee Issues:**

The Revenue Estimating Conference has not determined the impact of CS/CS SB 266. Staff estimates that the bill will decrease General Revenue by \$26.7 million in the 2014-2015 fiscal year, with a negative \$71.1 million recurring impact on General Revenue. The bill will also reduce local governments' revenues by \$3.4 million in Fiscal Year 2014-2015, with a negative \$9.1 million recurring impact on local governments.

**B. Private Sector Impact:**

Communications services customers will pay a reduced amount of state communications services tax.

**C. Government Sector Impact:**

None.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Statutes Affected:**

This bill substantially amends the following sections of the Florida Statutes: 202.12, 202.12001, 202.18, and 203.001.

**IX. Additional Information:**

- A. **Committee Substitute – Statement of Substantial Changes:**  
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

**Recommended CS/CS by Appropriations Subcommittee on Finance and Tax on March 19, 2014:**

- Reduces the state CST rate by 0.58 percent, reducing the general rate from 6.65 percent to 6.07 percent and the rate on direct-to-home satellite from 10.8 percent to 10.22 percent; and
- Reduces the percentage of direct-to-home satellite CST tax revenues allocated to the state from 63 percent to 60.9 percent, ensuring that the local governments receive approximately the same amount of revenue from this source.

**CS by Communications, Energy, and Public Utilities on February 4, 2014:**

The CS:

- Reduces the percentage of direct-to-home satellite CST tax revenues allocated to the state from 63 percent to 54.5 percent, ensuring that the local governments receive approximately the same amount of revenue from this source; and
- Provides that the act applies to taxable transactions included on bills for communications services that are dated on or after January 1, 2015.

- B. **Amendments:**

None.