

STORAGE NAME: h1949.ft

DATE: March 18, 1999

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
FINANCE AND TAXATION
ANALYSIS**

BILL #: HB 1949 (PCB FT 99-07)

RELATING TO: Sales Tax on Telecommunications Services

SPONSOR(S): Committee on Finance & Taxation and Representatives Albright, Wallace & others

COMPANION BILL(S): Similar to HB 153 & SB 770

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

(1) FINANCE AND TAXATION YEAS 16 NAYS 0

(2)

(3)

(4)

(5)

I. SUMMARY:

The bill reduces from 7% to 6.5% the tax on "telecommunications service" as defined in section 203.012, Florida Statutes, and on those services described in section 203.012(2)(a), Florida Statutes. The change would be effective January 1, 2000.

The bill would reduce General Revenue by \$12.4 million in FY 99-00. Local government revenues would be reduced by \$2.0 million in FY 99-00.

The bill also provides legislative intent to further reduce the tax rate to 6% on January 1, 2001.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

In 1992, the Legislature changed the tax rate on telecommunications from 6% to 7%. Residential customers of telecommunications services are exempt from the sales tax. Wireless telecommunications such as cellular, PCS, and paging services, are treated as non-residential services and thus, are subject to the tax.

Below is an itemization of all federal, state, and local taxes and fees associated with the provision and purchase of telecommunication services:

- * 7% state sales tax
- * .5 to 1.5% local option sales tax
- * 2.5% gross receipts tax
- * 7 or 10% municipal utilities tax (depending on tax option selected by local government)
- * 1% local fee for permission to occupy right of way (the fee may be higher for older agreements that have been "grandfathered")
- * E-911 local charge of up to \$.50 per line per month
- * \$.11 per month per line telecommunications relay surcharge
- * \$3.50, \$5.00 or \$8.14 per month per line (depending on category of service) federal subscriber line charge
- * Monthly charges for federal pre-subscribed interexchange carrier charge
- * Monthly charges for federal universal service high cost fund
- * 3% federal excise tax on telecommunications services.

B. EFFECT OF PROPOSED CHANGES:

The bill would lower the sales tax rate on telecommunications services as defined in sections 203.012 and 203.012(2)(a), Florida Statutes, from 7% to 6.5% effective January 1, 2000.

The bill also provides intent language to further reduce the tax rate to 6% on January 1, 2001.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

No.

(3) any entitlement to a government service or benefit?

No.

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No.

b. Does the bill require or authorize an increase in any fees?

No.

c. Does the bill reduce total taxes, both rates and revenues?

Yes, the bill lowers the state sales tax rate on telecommunications. See Fiscal Analysis section for revenue impact.

d. Does the bill reduce total fees, both rates and revenues?

No.

e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

No.

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

N/A

4. Individual Freedom:

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

N/A

b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A

5. Family Empowerment:

a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

N/A

(2) Who makes the decisions?

N/A

(3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

N/A

(5) Are families penalized for not participating in a program?

N/A

b. Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

212.05 & 212.12, Florida Statutes.

E. SECTION-BY-SECTION ANALYSIS:

Section 1. Amends paragraph (e) of s. 212.05(1), F.S., reducing the tax rate on telecommunications services as defined in sections 203.012 and 203.012(2)(a), Florida Statutes, to 6.5%, effective January 1, 2000; provides for intent to reduce the rate to 6%, effective January 1, 2001.

Section 2. Amends s. 212.12(11), providing conforming language.

Section 3. Provides an effective date of July 1, 1999.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

	<u>FY 99-00</u>	<u>FY 00-01</u>
General Revenue	<u>(\$12.4M)</u>	<u>(\$31.2M)</u>
Solid Waste Management TF	<u>(*)</u>	<u>(\$.1M)</u>

3. Long Run Effects Other Than Normal Growth:

None

4. Total Revenues and Expenditures:

	<u>FY 99-00</u>	<u>FY 00-01</u>
Total State Impact	<u>(\$12.4M)</u>	<u>(\$31.3M)</u>

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

	<u>FY 99-00</u>	<u>FY 00-01</u>
Local Government Half-Cent Sales Tax	<u>(\$1.2M)</u>	<u>(\$3.0M)</u>
Local Option Sales Tax	<u>(\$.8M)</u>	<u>(\$2.0M)</u>
TOTAL	<u>(\$2.0M)</u>	<u>(\$5.0M)</u>

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

Programming costs would be incurred by telecommunications service providers for changing their billing systems.

2. Direct Private Sector Benefits:

Commercial telecommunications, wireless, and paging customers would pay less in sales taxes on telecommunications services.

3. Effects on Competition, Private Enterprise and Employment Markets:

None.

STORAGE NAME: h1949.ft

DATE: March 18, 1999

PAGE 6

D. FISCAL COMMENTS:

Gross receipts revenues would remain unaffected by this bill.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

N/A

B. REDUCTION OF REVENUE RAISING AUTHORITY:

N/A

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

N/A

V. COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON FINANCE AND TAXATION:

Prepared by:

Staff Director:

George T. Levesque

Alan Johansen