

**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 Committee on Communications, Energy, and Public Utilities

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**BILL:** CS/SB 110

**INTRODUCER:** Communications, Energy and Public Utilities Committee and Senator Hukill

**SUBJECT:** Communications Services Taxes

**DATE:** February 18, 2015      **REVISED:** \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Caldwell	Caldwell	CU	<b>Fav/CS</b>
2.	_____	_____	FT	_____
3.	_____	_____	AP	_____

**Please see Section IX. for Additional Information:**  
COMMITTEE SUBSTITUTE - Substantial Changes

**I. Summary:**

CS/SB 110 reduces the state portion of the communications services tax (CST) rate by 3.6 percent from 6.65 percent to 3.05 percent, and the tax rate on direct-to-home satellite services, from 10.8 percent to 7.2 percent and makes conforming changes to the CST rates when billing for various communications services is combined. The bill changes the distribution percentages of direct-to-home satellite CST revenue to ensure that local governments continue to receive the same amount of revenue as they receive under current law. The bill also increases the distribution percentages of the CST revenue to various local government trust funds to ensure that local governments continue to receive the same amount of revenue as they receive under current law. Finally, the bill provides for delayed allocation implementation for the distribution of direct-to-home satellite tax revenues and other communications services tax revenues to match the corresponding receipt of remittances of the lower taxes.

The Revenue Estimating Conference has not developed an estimate for the decrease in revenues if CST rates are decreased by 3.6 percent.

**II. Present Situation:**

Chapter 202, F.S., provides for the tax on communication services, including telecommunications (both wireline and mobile), 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. In addition, local governments may impose a local tax rate of up to 7.12 percent.

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. A portion of those deposits is distributed to local governments. 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** amends s. 202.12(1)(a) and (b), F.S., by reducing the state CST rate by 3.6 percent. The general rate is reduced from 6.65 percent to 3.05 percent and the rate on direct-to-home satellite is reduced from 10.8 percent to 7.2 percent.

**Sections 2 and 4** amends ss. 202.12001 and 203.001, F.S., by making conforming changes to the statutes that authorize a communications services dealer to collect a combined rate that includes both the CST and the gross receipts tax to reflect this 3.6 percent reduction in the communications services tax.

**Section 3** amends s. 202.18, F.S., to reduce the percentage of direct-to-home satellite CST tax revenues allocated to the state from 63 percent to 44.5 percent to ensure that local governments continue to receive the same amount of distributions as they receive under current law. The allocations become effective August 1, 2015, which is when the new allocated amounts will be available for distribution.

**Section 5** amends s. 212.20, F.S., to increase the percentages of allocations from all remaining CST revenues that are distributed to the Local Government Half-cent Sales Tax Clearing Trust Fund and the Revenue Sharing Trust Fund for Counties and for Municipalities to ensure that local governments continue to receive the same amount of distributions as they receive under current law. The allocations become effective September 1, 2015, which is when the new allocated amounts will be available for distribution.

**Section 6** provides that the act applies to taxable transactions included on bills for communications services that are dated on or after July 1, 2015.

**Section 7** provides that the bill takes effect July 1, 2015, except as otherwise provided in the act.

**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.

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

None.

**C. Trust Funds Restrictions:**

None.

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

The committee substitute reduces the CST by 3.6 percent, thereby reducing revenue to the state (General Revenue), but adjusts the allocation rates for local governments so that local government revenues will not be affected.

**B. Private Sector Impact:**

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

**C. Government Sector Impact:**

The Revenue Estimating Conference has not developed an estimate for the decrease in general revenues if the CST rate is decreased by 3.6 percent.<sup>1</sup>

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Statutes Affected:**

202.12, 202.12001, 202.18, 203.001

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<sup>1</sup> The Revenue Estimating Conference estimated that a 2 percent decrease in the CST rate for the state portion will decrease General Revenue by \$86.9 million in the 2015-2016 fiscal year, with a negative \$231.7 million recurring impact on General Revenue. The bill will also reduce local governments' revenues by \$11.2 million in the 2015-2016 fiscal year, with a negative \$29.9 million recurring impact on local governments. The committee substitute reduces the CST rate by 3.6 percent.

This bill substantially amends the following sections of the Florida Statutes: 202.12, 202.12001, 202.18, 203.001, and 212.20.

## **IX. Additional Information:**

### **A. Committee Substitute – Statement of Substantial Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

The committee substitute for SB 110:

- Reduces the state portion of the communications services tax (CST) rate by 3.6 percent, from 6.65 percent to 3.05 percent, and the tax rate on direct-to-home satellite services, from 10.8 percent to 7.2 percent.
- Makes conforming changes to the combined billing rate for CST and gross receipts tax by reducing it by 3.6 percent, from 6.8 percent to 3.2 percent.
- Delays the implementation of the distribution for direct-to-home satellite services revenues to August 1, 2015 and for the remaining tax revenue received from the CST to September 1, 2015.
- Reduces the percentage of direct-to-home satellite CST tax revenues allocated to the state from 63 percent to 44.5 percent to ensure that local governments continue to receive the same amount of distributions as they receive under current law.
- Revises the following distributed amounts:
  - Increases to 9.0739 percent from 8.8854 percent the amount remitted by a sales tax dealer located within a participating county that is transferred into the Local Government Half-cent Sales Tax Clearing Trust Fund.
  - Increases to 0.0976 percent from 0.0956 percent of the available proceeds that are to be transferred to the Local Government Half-cent Sales Clearing Trust Fund for emergency distribution.
  - Increases to 2.1039 percent from 2.0603 percent of the available proceeds that are to be transferred to the Revenue Sharing Trust Fund for counties.
  - Increases to 1.3803 percent from 1.3517 percent of the available proceeds that are transferred to the Revenue Sharing Trust Fund for municipalities.
- Revises the effective date clause to reflect the different implementing dates in the act and changes the effective date to July 1, 2015 from upon becoming a law.

### **B. Amendments:**

None.