Committee on Utilities & Telecommunications

Tuesday, October 18, 2005
9:00 am – 10:30 am
404 HOB

Allan G. Bense
Speaker

Ken Littlefield
Chair

Dept. of Revenue

COMMUNICATIONS SERVICES TAX

Florida House of Representatives

Utilities & Telecommunications Committee

October 18, 2005

Brief History of Communications Services Taxation in Florida

- A state gross receipts tax has been imposed on communications services in Florida since at least 1955. Generally, this tax was assessed on "the use of telephones."

- In 1968, a sales tax on local telephone service and similar services was added.

Brief History

- In 1984, the scope of the relevant taxes was broadened to include any type of "telecommunications service."

- "Telecommunications services" included:
  - local telephone service,
  - toll telephone service,
  - teletypewriter or computer exchange service,
  - private communication services,
  - cellular mobile telephone or telecommunication service,
  - and other mobile one-way or two-way communications.

Brief History

- Florida has over 400 local taxing jurisdictions. Prior to implementation of the communications services tax, providers were required to satisfy the reporting and filing requirements for each jurisdiction in which services were provided.

Brief History

- Prior to CST, the Florida's taxation of communications:
  - used antiquated terminology,
  - had varying tax bases for each jurisdiction,
  - varied in interpretation by jurisdiction,
  - contained jurisdictional sourcing problems, and
  - led to conflict.

Communications Services Tax Simplification Law (CST)

- The CST, which became effective on October 1, 2001, replaced the existing taxes imposed on telecommunications and cable television services.

- The CST unified hundreds of local administrations into one cohesive approach, and defined communications in a manner that anticipates the development of new technologies.

Current Law -- What are Communications Services?

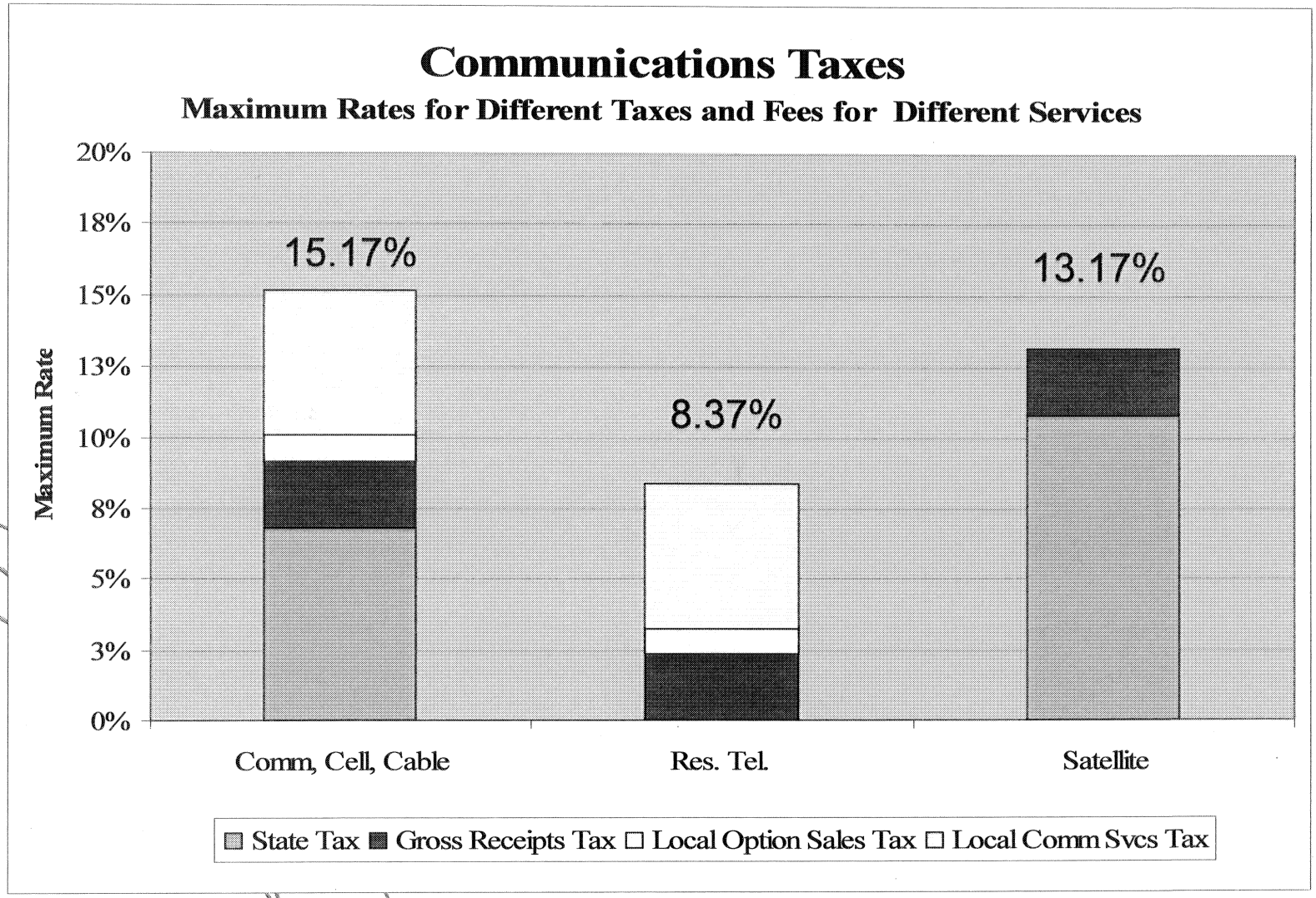
- "Communications services" are defined broadly to encompass technologies now in existence or hereafter devised. Currently, the definition includes services such as:
  - Cable Television
  - Local & Long Distance Telephone Service
  - Wireless Telephone Service
  - Paging Service
  - Satellite Television Service

Statutory Structure

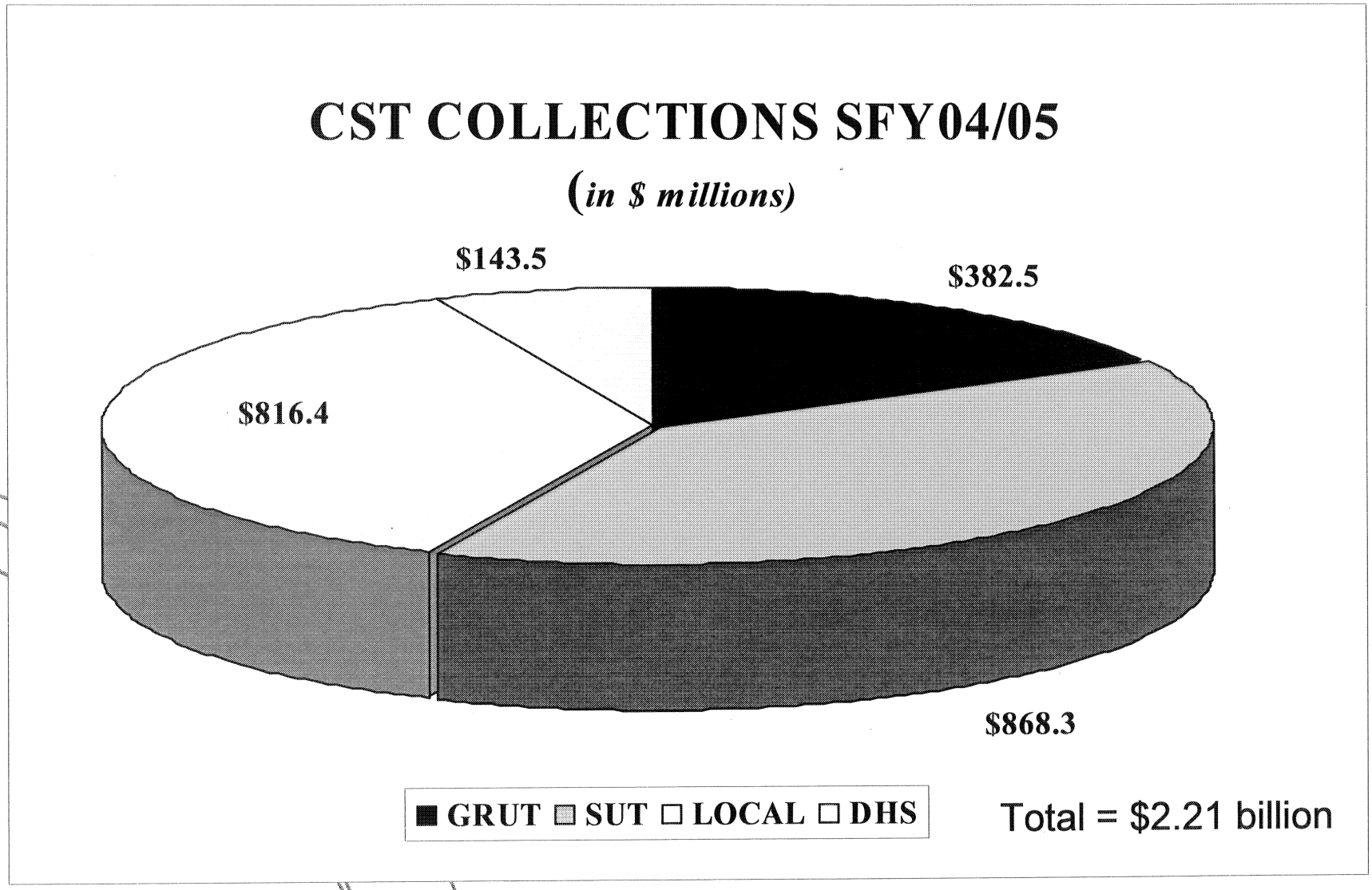
- Communications Services Tax should appear as two line items on a customer's bill:
  - State CST – Total 9.17%
    - State Gross Receipts – 2.37%
    - State CST – 6.8%
  - Local CST – Total max 6%
    - Local CST – 5.1% (max)
    - Local DSS – .9% (max)
  - Total max CST = 15.17%*

* Emergency rates and permit fees may cause percentages to be slightly higher.

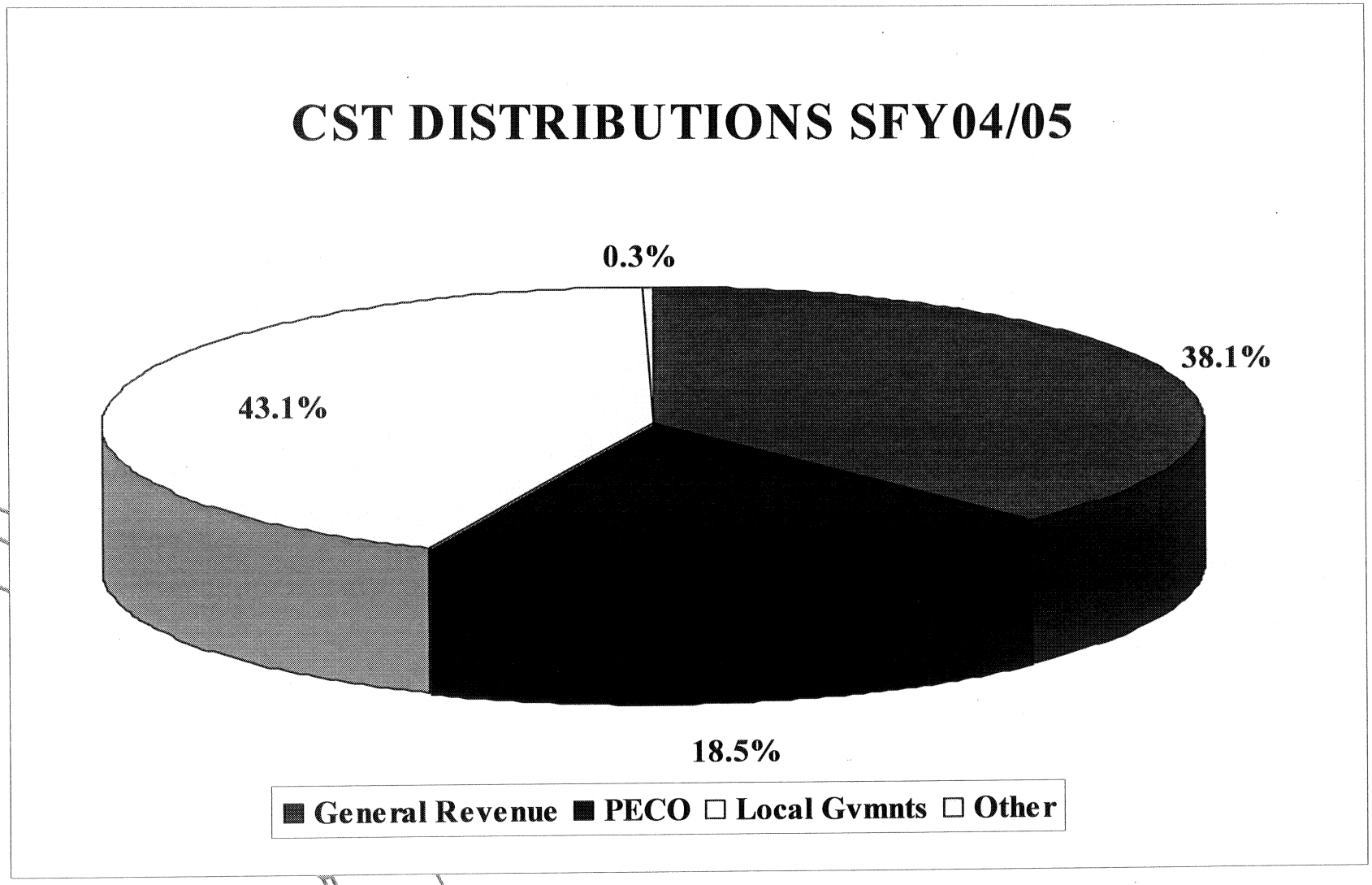
Maximum Rates



Revenue Collections



Revenue Distribution



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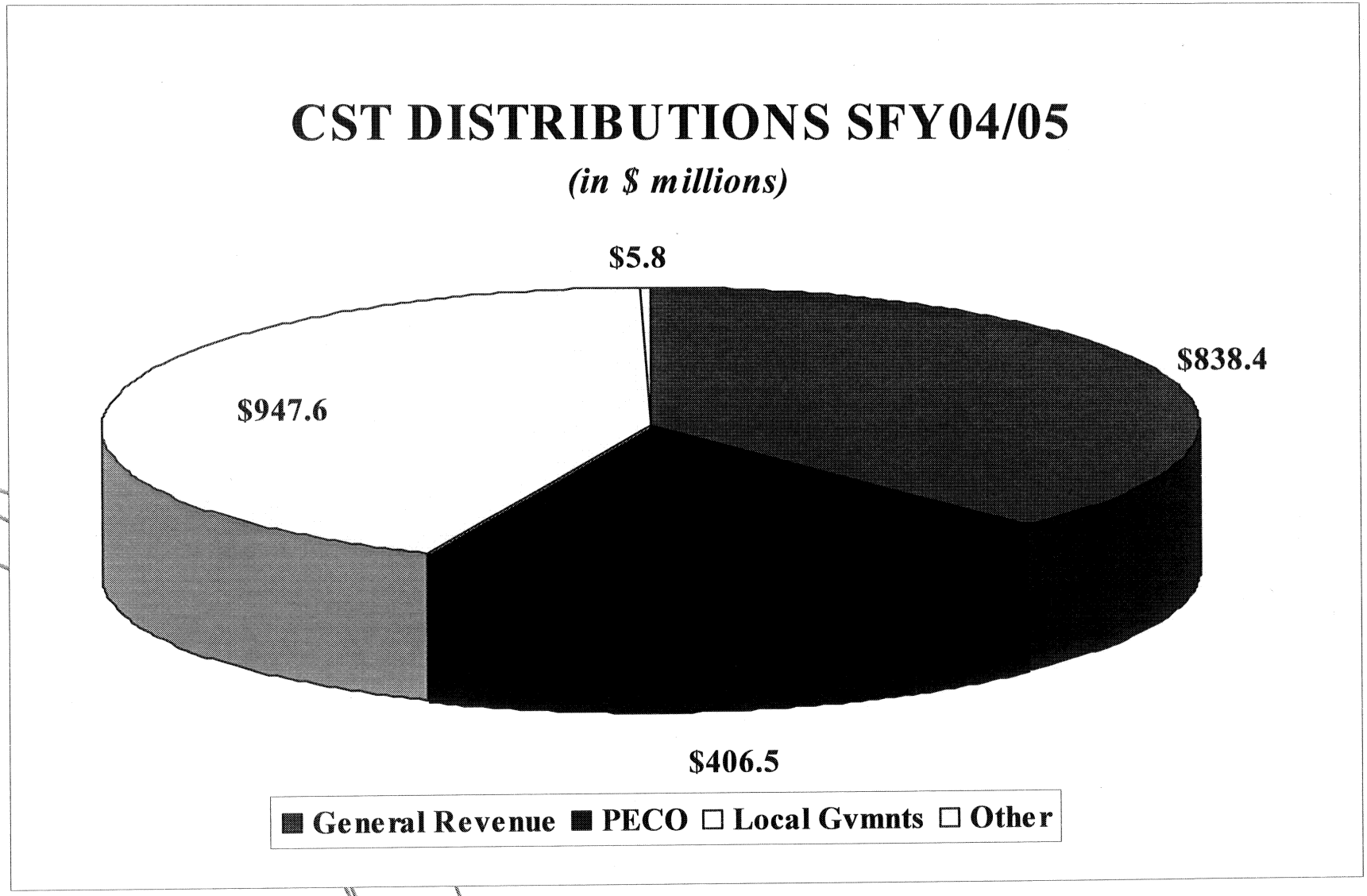

Wireless Service Bills

- Monthly Service Charges
  - National Wireless Plan 3200 $49.99
  - National Promotional Plan $4.99
  - Additional Line $9.99
  - Product Guard $4.00
  - Total $68.97

- Other Charges & Credits
  - Regulatory Cost Recovery Fee $.97
  - Federal 911 Service Fee $.50
  - Federal Universal Service Fund Fee $2.69
  - State Communications Services Tax – 9.17% $6.34
  - Local Communications Services Tax – 6.020% $4.16
  - Sales Tax – 6% $.24
  - Total Other Charges $14.90

- Total Charges $83.87

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This charge is the customer's basic service plan charge.

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This charge is a charge for additional services. For example, an additional 500 minutes of cellular time.

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This charge is a charge for adding an additional phone to the customer's service plan.

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All of these charges represent charges for communications services, and as such, are subject to tax.

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This is a charge for a service warranty, which is available from some providers. It is not subject to CST, but is subject to Sales and Use Tax.

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The Regulatory Cost Recovery Fee represents a cost that the provider is incurring and is choosing to pass on to the customer. However, the term is a general one, and it could be a recovery of any type of provider cost. Florida law provides that separately stated costs of the provider are subject to CST

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These fees are imposed on the provider by the federal government. Most providers choose to pass them through and recoup them from their customers. Florida law provides that separately stated costs of the provider are subject to CST.

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This is the state CST, which has been calculated on the charges identified in green.

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This is the sales tax, which was imposed on the product guard.

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  - Regulatory Cost Recovery Fee — $.97
  - Federal 911 Service Fee — $.50
  - Federal Universal Service Fund Fee — $2.69
  - State Communications Services Tax – 9.17% — $6.34
  - Local Communications Services Tax – 6.020% — $4.16
  - Sales Tax – 6% — $.24
  - Total Other Charges — $14.90

- Total Charges — $83.87

Recent Developments

- Internet Tax Nondiscrimination Act
  - VoIP
  - Grandfathering
  - Unbundling
- SB 2070, Ch. 2005-187, L.O.F.
  - Unbundling
  - Repeal of Tax on Substitute Communications Systems
  - VoIP

On the Horizon

- Federal Rewrite of the 1996 Telecommunications Act?
- Satellite Television Litigation
- Emerging Technologies

Public Service Comm.

Current Issues in Water and Wastewater

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Florida Public Service Commission
2005
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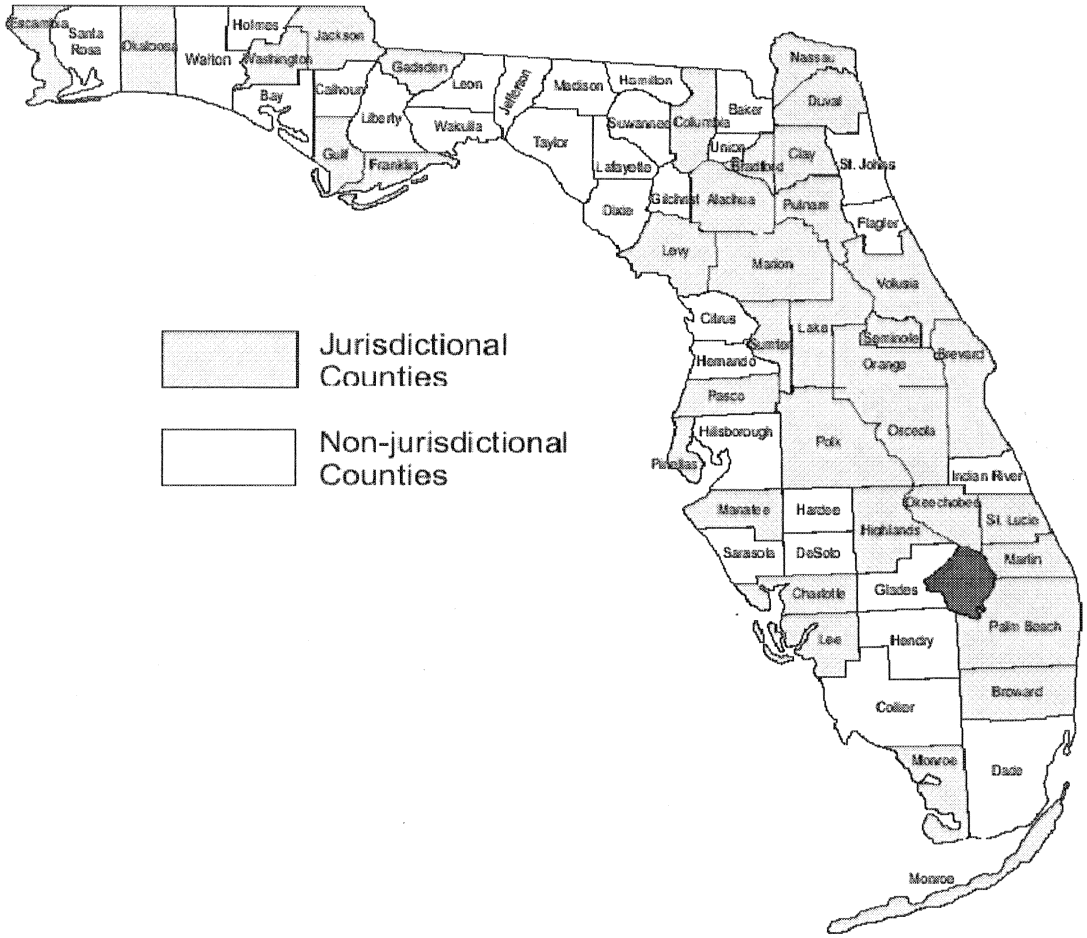
WATER & WASTEWATER

36 Jurisdictional Counties



County Option

Exemptions from FPSC Regulation

- Government Owned or Controlled Utilities
- Landlords Serving Tenants Without Specific Compensation
- Small Systems Serving Less than 100 Persons
- Non-Profit Corporations, Associations, or Cooperatives Only Serving Members

Exemptions Continued

- Resellers that Charge at or Below Cost
- Sale for Resale of Bulk Water or Wastewater
- Bulk Sale of Desalinated Water
- Non-Potable Water when Potable Water is Available from Another Utility

NATURE OF GOVERNMENTAL INVOLVEMENT IN THE DRINKING WATER INDUSTRY

ISSUE	PURPOSE	LEVEL OF GOVERNMENT				
		Federal	Interstate	State	Sub-state	Local
Water quality	Ensure public safety and health, set standards, and certify systems	Congress, U.S. EPA		State primacy agencies (EPAs, public health)		
Water quantity	Allocate supplies, issue permits, protect rights, resolve disputes, and plan		River basin commis-sions (limited)	State water resource agencies	Water manage-ment districts (varies)	Zoning and siting agencies (varies)
Water prices	Prevent monopoly abuse, set rates, and control entry/exit			Public utility commis-sions (private systems)		Public owner-ship and other forms of local control

Economic Regulation

Affordability

Increasing Cost Industry

Increasing Cost Industry

- Quality Standards
- Growth in Demand
- Aging Infrastructure
- Alternative Water Supplies
- Historical Underpricing
- Small Systems-Economies of Scale

Staff Assisted Rate Cases

- Customer Benefits

- Further Streamline the Process

Interagency Coordination

Memoranda of Understanding

- Department of Environmental Protection
- Florida Water Management Districts
- Department of Community Affairs

Water Conservation

2001 Water Conservation Initiative

Now Conserve Florida

Reuse

Consumer Assistance

Quality of Service

Customer Complaints

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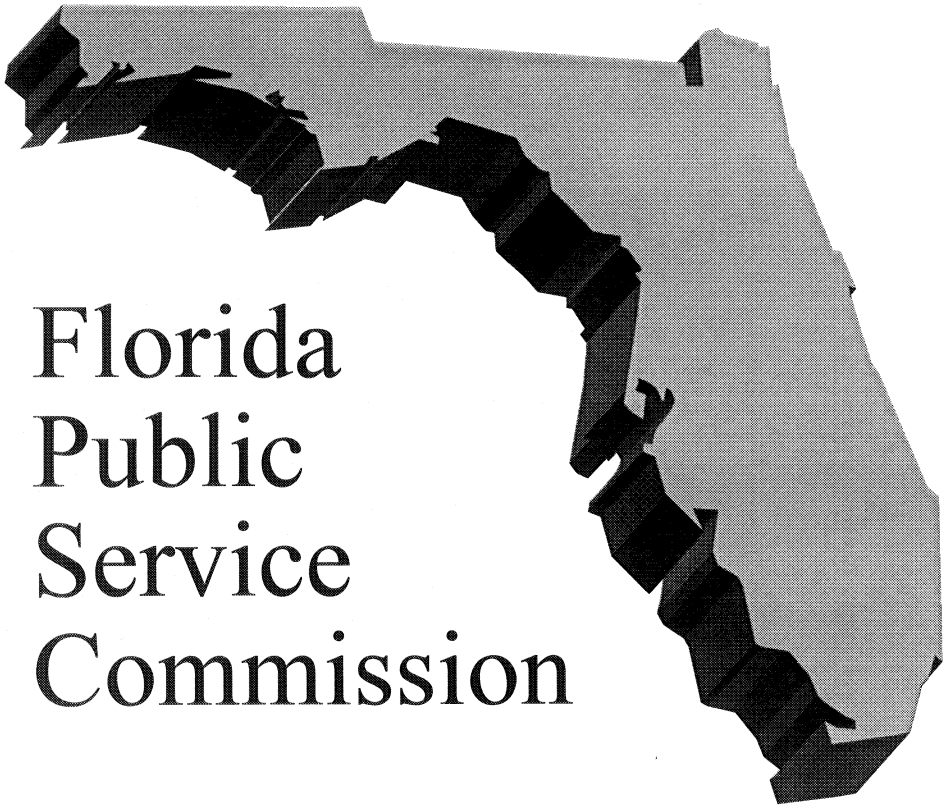

Florida Public Service Commission