

**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 Finance and Tax

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BILL: CS/CS/SB 110

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

SUBJECT: Communications Services Taxes

DATE: March 16, 2015

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

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Caldwell	Caldwell	CU	<b>Fav/CS</b>
2.	Babin	Diez-Arguelles	FT	<b>Fav/CS</b>
3.			AP	

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

COMMITTEE SUBSTITUTE - Substantial Changes

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**I. Summary:**

CS/CS/SB 110 reduces the state communications services tax (CST) rates by 3.6 percentage points. The standard state CST rate is reduced from 6.65 percent to 3.05 percent, and the tax rate on direct-to-home satellite services is reduced from 10.8 percent to 7.2 percent.

The bill changes the distribution percentages of CST revenue to ensure that local governments continue to receive the same amount of revenue as they receive under current law.

The bill authorizes communications services dealers to report tax collections on a non-calendar month basis, and clarifies that when a dealer remits a portion of CST collections late, the dealer loses its collection allowance only for the late portion of the payment.

The Revenue Estimating Conference has determined that the bill will reduce General Revenue receipts by \$431.3 million in Fiscal Year 2015-2016, with a recurring decrease of \$470.5 million. Local revenues will decrease by \$200,000 in Fiscal Year 2015-2016, but will increase in later years.

The bill provides an effective date of July 1, 2015.

## II. Present Situation:

### Communications Services Tax Rates and Distributions

Chapter 202, F.S., imposes a tax on the sale of communication services, including telecommunications (both wireline and mobile), cable television, direct-to-home satellite television and other services. The CST 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 higher state CST rate of 10.8 percent and is also subject to the 2.37 percent gross receipts tax for a combined rate of 13.17 percent. The local tax does not apply to these services.

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 funding public education system capital projects.

### Reporting Periods and Collection Allowance

Communications services dealers are required to report and remit collections on a calendar month basis.<sup>1</sup> Dealer returns and remittances are late after the 20<sup>th</sup> day of the month following the month of collection.<sup>2</sup>

To compensate communications services dealers for keeping prescribed records, filing timely tax returns, and properly accounting and remitting taxes, dealers are allowed to deduct and retain 0.75 percent of the amount of tax due and timely reported and remitted.<sup>3</sup> The collection allowance is not allowed if the required tax return or tax is delinquent.<sup>4</sup>

## III. Effect of Proposed Changes:

**Section 1** amends s. 202.12(1)(a) and (b), F.S., to reduce the state CST rate by 3.6 percentage points. The standard 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 6** amend ss. 202.12001 and 203.001, F.S., to make 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. The bill amends the combined rates to reflect the 3.6 percentage point reduction in the CST rate.

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<sup>1</sup> See s. 202.27, F.S. and Rule 12A-19.020(1)(a)1., F.A.C. The Department of Revenue is authorized to permit reporting periods longer than 1 month in certain situations. Section 202.27(2), F.S.

<sup>2</sup> See Section 202.27(1), F.S. and Rule 12A-19.020(1)(a)3., F.A.C.

<sup>3</sup> Section 202.28(1), F.S. Dealers that do not use specified databases to determine the taxable situs of sales are subject to a reduced collection allowance of 0.25 percent. See s. 202.22(6)(b)1., F.S.

<sup>4</sup> Section 202.28(1)(a), F.S.

**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 receipts from the new tax rate on direct-to-home satellite service will be distributed.

**Section 4** amends s. 202.27, F.S., to authorize a communications services dealer to use a month-long period other than a calendar month to report its CST collections. Dealers who use an alternative month-long period will continue to remit collections by the 20<sup>th</sup> day of the subsequent calendar month.

**Section 5** amends s. 202.28, F.S., to clarify that if a collection allowance is disallowed because a dealer's CST payment is delinquent, the disallowance is proportional to the percentage of tax that is delinquent.

**Section 7** amends s. 212.20, F.S., to increase the distribution percentages of all remaining state 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 receipts from the new standard CST tax rate will be distributed.

**Section 8** provides that the act applies to taxable transactions included on bills for communications services that are dated on or after July 1, 2015.

**Section 9** 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 mandates 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 Revenue Estimating Conference has determined that the bill will reduce General Revenue receipts by \$431.3 million in Fiscal Year 2015-2016, with a recurring decrease of \$470.5 million. Local revenues will decrease by \$200,000 in Fiscal Year 2015-2016, but will increase in later years.<sup>5</sup>

**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, 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.)

**CS/CS by Finance and Tax on March 16, 2015:**

The CS/CS:

- Authorizes communications services dealers to use a month-long period other than a calendar month to report collections.
- Clarifies that when a collection allowance is disallowed because a dealer's CST payment is delinquent, the disallowance is proportional to the percentage of tax that is delinquent.

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<sup>5</sup> Revenue Estimating Conference Impact Statement, *available at* [http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2015/\\_pdf/page113-119.pdf](http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2015/_pdf/page113-119.pdf)

**CS by Communications, Energy and Public Utilities on February 17, 2015:**

The committee substitute:

- Reduces the standard state CST rate by 3.6 percentage points, from 6.65 percent to 3.05 percent, and the CST 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 state 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 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 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 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 to July 1, 2015 from upon becoming a law.

**B. Amendments:**

None.