

- Provided a permit fee option for local governments.
- Provided for a revenue-neutral taxing scheme to be administered by the Department of Revenue.
- Provided that the revenues generated under the provisions of the act are to be distributed to the Public Education Capital Outlay Fund, the General Revenue Fund, and local governments.

The act directed communications companies and local governments to supply information regarding the assessment of the various taxes to the Department of Revenue. This information was used by the Revenue Estimating Conference to calculate revenue-neutral rates for presentation to the 2001 Legislature.

Prior to October 1, 2001, the tax rates for the various communication services depended on the area of the state in which the services were provided. The example below portrays the maximum rate for a city or charter county:

Residential Telephone Service:

2.56% Gross Receipts Tax
 7.00% or 10.00% Public Service Tax
 1.00% Franchise Fee
 Total maximum rate = 10.56% to 13.56%

Business/Wireless Telephone Service:

2.56% Gross Receipts Tax
 7.00% Sales Tax
 7.00% or 10.00% Public Service Tax
 1.00% Franchise Fee
 Total maximum rate = 17.56% to 20.56%

Direct-to-Home Satellite Service:

6.00% Sales Tax
 Total maximum rate = 6.00%

Cable Service:

6.00% Sales Tax
 5.00% Franchise Fee
 Total maximum rate = 11.00%

Residential telephone service was exempt from the state sales tax of 7 percent.

During the 2001 Regular Session, the Legislature enacted ch. 2001-140, L.O.F., to set the rates on the new tax base and make other changes to ch. 202, F.S. The state sales tax and gross receipts tax were combined into one state rate that consisted of a sales tax portion at 6.8 percent and a gross receipts portion at 2.37 percent. Because tax rates at the local level varied widely, a variable rate was established in the act for each county and municipality in the state. The direct-to-home satellite service was taxed at a rate of 10.8 percent, which included the 6.8-percent sales tax portion and a 4-percent portion to be distributed to the local governments, and was also subject to the 2.37-percent gross receipts tax. The example below portrays the maximum rate for a city or charter county:

Residential Telephone Service:

2.37% Gross Receipts portion
 0.00% Sales Tax portion (exempt)
 x.xx% Variable Local Tax portion
 Total rate = 2.37% state rate plus
 x.xx% variable local rate

Business/Wireless Telephone Service:

2.37% Gross Receipts portion
 6.80% Sales Tax portion
 x.xx% Variable Local Tax portion
 Total rate = 9.17% state rate plus
 x.xx% variable local rate

Direct-to-Home Satellite Service:

2.37% Gross Receipts portion
 10.8% Tax rate
 6.80% State Tax portion
 4.00% Flat Local Tax component
 Total rate = 13.17%

Cable Service:

2.37% Gross Receipts portion
 6.80% State Tax portion
 x.xx% Variable Local Tax portion
 Total rate = 9.17% state rate plus
 x.xx% variable local rate

Residential telephone service continues to be exempt from the sales tax portion of the new communications services tax.

III. Effect of Proposed Changes:

This committee substitute phases in an exemption to the sales tax portion of the new communications services tax for residential direct-to-home satellite service and residential cable service. It phases out the state sales tax portion of the tax levied on residential direct-to-home satellite service under s. 202.12(1)(c), F.S., over a nine-year period. After that time, residential direct-to-home satellite service will be subject only to the 4-percent local distribution portion and the 2.37-percent gross receipts portion of the communications services tax. The committee substitute also phases out the state tax portion levied on residential cable services over the same period of time. After that, residential cable service will be subject only to the variable local portion and the 2.37 percent gross receipts portion of the communications services tax.

Except as otherwise expressly provided in this act, this act shall take effect July 1, 2002.

IV. Constitutional Issues:**A. Municipality/County Mandates Restrictions:**

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:**A. Tax/Fee Issues:**

The Revenue Estimating Conference has not established a projected revenue impact associated with this specific committee substitute; however, it has done so for HB 1537, which is substantially similar in concept to this committee substitute. Nonetheless, the fiscal estimate for HB 1537 is expected to be accurate for this committee substitute, as well.

The Revenue Estimating Conference estimates the fiscal impact of HB 1537 to be a FY 2002-03 General Revenue loss of \$16.0 million with an annualized first-year loss of \$88.0 million and a FY 2002-03 local government loss of \$2.2 million with an annualized first-year loss of \$11.8 million. There is also estimated to be an insignificant FY 2002-03 negative impact on the Solid Waste Management Trust Fund with an annualized first-year negative impact of \$200,000.

<u>Fiscal Year 2002-2003</u> <i>(in millions of dollars)</i>								
Issue/Fund	General Revenue		Trust		Local		Total	
	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring
Cable and Direct-to-home Satellite Services, Residential – phase-out of 6.8% CST	\$ (16.0)	\$(88.0)	*	\$ (0.2)	\$ (2.2)	\$ (11.8)	\$ (18.2)	\$ (100.0)

* Insignificant (less than \$50,000)

The Revenue Estimating Conference estimates the fiscal impact of HB 1537 to be a FY 2003-04 General Revenue loss of \$34.5 million with a recurring loss of \$88.0 million and a FY 2003-04 local government loss of \$4.6 million with a recurring loss of \$11.8 million. There is also estimated to be a FY 2003-04 negative impact on the Solid Waste Management Trust Fund of \$100,000 with a recurring loss of \$200,000.

<u>Fiscal Year 2003-2004</u> <i>(in millions of dollars)</i>								
Issue/Fund	General Revenue		Trust		Local		Total	
	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring
Cable and Direct-to-home Satellite Services, Residential – phase-out of 6.8% CST	\$ (34.5)	\$(88.0)	\$ (0.1)	\$ (0.2)	\$ (4.6)	\$ (11.8)	\$ (39.2)	\$ (100.0)

B. Private Sector Impact:

This committee substitute creates an exemption to the sales tax portion of the new communications services tax for residential direct-to-home satellite service and residential cable service.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
