



2018

Legislative
Issue
Briefs



Communications Services Tax Protection

Priority Statement:

The Florida League of Cities SUPPORTS reforming the Communications Services Tax in a manner that is revenue neutral; provides for a broad and equitable tax base; provides for enhanced stability and reliability as an important revenue source for local government; and provides a uniform method for taxing communication services in Florida. Reform should promote a competitively neutral tax policy that will free consumers to choose a provider based on tax-neutral considerations.

Background:

In 2000, the Florida Legislature restructured taxes and fees on telecommunications, cable, direct-to-home satellite and related services under the Communication Services Simplifications Act. This act replaced and consolidated seven different state and local taxes and fees into a single tax that has two centrally administered parts, the state and the local communications services tax (CST). The local CST is one of the main sources of locally levied general revenue for municipalities, providing them with more than \$421 million annually. Counties collect nearly \$234 million a year. The State of Florida collects approximately \$600 million, including direct-to-home satellite, and shares a portion of those revenues with cities through the Municipal Revenue Sharing Program and Local Half-Cent Sales Tax Program. These revenues may be used for any public purpose, including pledging the revenues to secure bonds.

The CST applies to telecommunications, video, direct-to-home satellite and related services. The definition of communications services encompasses voice, data, audio, video, or any other information or signals transmitted by any medium. Examples of services subject to the tax include local, long distance and toll telephones; voice over Internet protocol telephones; video services; video streaming; direct-to-home satellite; mobile communications; private line services; pagers and beepers; telephone charges made at a hotel or motel; facsimiles; and telex, telegram and teletype. The tax is imposed on retail sales of communications services that originate and terminate in Florida or are billed to an address within the state.

The Florida CST includes both a state tax and a gross receipts tax. Communications services, except direct-to-home satellite service, are subject to the state tax of 4.92 percent and the gross receipts tax of 2.52 percent. Direct-to-home satellite service is subject to the state tax of 9.07 percent and the gross receipts tax of 2.37 percent.

A county or municipality may authorize the levy of a local CST. The local tax rates vary depending on the type of local government. For municipalities that have not chosen to levy permit fees, the tax may be levied at a rate of up to 5.1 percent. For municipalities that have chosen to levy permit fees, the tax may be levied at a rate of up to 4.98 percent. In addition to the local CST, any local option sales tax that a county or school board has levied is imposed as a local CST.

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Over the past few years, the economy, legislation and changes in technology have eroded the tax base for the CST. Additionally, there has been a movement by the Florida Legislature to reduce the total tax rate, both on the state and local CST.

In June 2015, the First District Court of Appeal overturned a lower court's favorable ruling regarding the constitutionality of the direct-to-home satellite rate. The original lawsuit, from May 2005, alleged that the direct-to-home satellite rate was unconstitutional because by imposing the CST at a rate of approximately 60 percent higher on out-of-state satellite TV companies versus in-state cable companies, the tax unfairly discriminated against out-of-state companies and, therefore, violated both the Commerce Clause and the Equal Protection Clause of the U.S. Constitution. The Department of Revenue appealed this decision and the Florida Supreme Court heard oral arguments in April 2016. On April 13, 2017, the Florida Supreme Court found that the statute involved did not violate the dormant Commerce Clause, and reversed the decision of the First District Court of Appeal.

Status:

SB 1210 (Brandes) defines "internet video service" and excludes this type of service from the definition of "communications services" and therefore excludes internet video services from the communications services tax. Under this bill, internet video service means a subscription video programming service received by the end-user customer by means of a wired or wireless internet connection. Additionally, the bill prohibits a government from levying or collecting any tax, charge, fee or other imposition on the purchase of any internet video service. The League of Cities is opposed to this bill.

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