

COMMUNICATIONS SERVICES TAX INFORMATION
March 24, 2004

BACKGROUND

During the 2000 Regular Session, the Florida Legislature enacted the "Simplified Communications Services Tax" law, effective October 1, 2001. The law combined seven different types of communications taxes and fees into a two-tiered tax composed of a STATE tax and a LOCAL tax on communications services.

The law combined the sales tax on communications services, the local public services tax, and local franchise fees on telecommunications and cable companies, allocated the gross receipts tax on communications services, and provided a permit fee option for local governments. In general, the law provided a new way of taxing telecommunications, cable television, and direct broadcast satellite services to broaden the tax base for local governments.

The Legislature adopted two tax (conversion) rates for each local government, the first for the transition year beginning October 1, 2001, which is slightly higher to account for 11 payments received in the first year, and the second for the year beginning October 1, 2002. More importantly, the law shifted the administration of taxes on communications services to the State of Florida Department of Revenue.

Replaces and consolidates several city, county, and state taxes:

Cable Franchise Fee – 5%	CITY -> LOCAL
Municipal Public Service Tax on Telecommunications – 7%	CITY -> LOCAL
Telecommunications Franchise Fee – 1%	CITY -> LOCAL
Right-of-Way Permit fees – various \$ amounts	CITY -> LOCAL
Penny for Pinellas Sales Tax – 1%	COUNTY -> LOCAL
State Gross Receipts Tax – 2.56%	STATE -> STATE
State Sales Tax – 6%	STATE -> STATE

LOCAL communications services tax (For CLEARWATER):

A.	CITY OF CLEARWATER FISCAL YEAR 2002 RATE: (Oct 1, 2001 – Sept 30, 2002)	5.52 %
	CITY OF CLEARWATER FISCAL YEAR 2003 RATE: (Oct 1, 2002 – Sept 30, 2003)	5.12 %
	CITY OF CLEARWATER FISCAL YEAR 2004 RATE: (Oct 1, 2003 – Sept 30, 2004)	5.12 %
	LOCAL DISCRETIONARY SALES SURTAX: (PENNY FOR PINELLAS)	<u>0.60 %</u>
		<u>5.72 %</u>

STATE communications services tax:

A.	STATE COMMUNICATIONS TAX: (Replaces 2.56 % Gross Receipts Tax)	2.37 %
B.	STATE SALES TAX*: (Replaces 6.00 % state sales tax)	<u>6.80 %</u>
		9.17%

*Not due on residential telephone service

KEY POINTS

Rates established in the new law are revenue neutral for the state and local governments. Depending on the amount and level of services purchased by consumers, taxes paid by customers should be about even (keeping in mind that rate changes affect the tax amounts). Taxes on telephone services will see a reduction while taxes on cable services will see an increase.

The tax structure was designed to be fair and competitively neutral. As technology continues to evolve, the Legislature took a proactive stance to create a fair and competitively neutral tax structure to eliminate improper taxation. Under the old structure, a cell phone call was subject to a 21% combined state and local tax rate, whereas a land line call was taxed at the a 16.5% combined stated and local tax rates. Under the new, both types of calls are taxed at the same rate.

Simplification. The old tax structure included several taxes that were administered at the local level, causing companies to be responsive to up to 475 local auditors and a tax based that varied by jurisdiction. The new tax structures has a single definition of what is taxable and eliminates the local administration, directing the State of Florida Department of Revenue (DOR) to be the single administrator.

NOT a new tax. Only replaces existing taxes. The new law spreads the existing tax burden over a broader based that is all-inclusive.

Why is satellite service now being taxes at 13.17 %? The new 13.17% tax rate for satellite service represents the new State rate of 9.17% and an average statewide local communications tax rate of 4%. The 13.17% represents the “average” Communications Services Tax rate in Florida for this service. A fairness issue: cable TV customers paid a tax from choosing to receive service from their local cable company, whereas satellite customers paid no tax.

For More Information, please visit the DOR Internet site:

<http://sun6.dms.state.fl.us/dor/taxes/cst.html>

FOR ADDITIONAL INFORMATION, PLEASE CONTACT ROBIN GOMEZ AT 562-4550 OR E-MAIL AT robin.gomez@myclearwater.com

Information obtained from the State DOR and the Florida League of Cities (FLC).