

# State sales and use taxes on telecommunications services

## Current state taxes and fees

Telecommunication services (land-line, wireless, and pre-paid wireless):  
3% for intrastate and 2% for interstate.

FY15	3% tax	\$45 M
FY15	2% tax	\$ 6.8 M

There are also two fees imposed by local authorities on a per line basis:

911 service charges imposed by local emergency districts on wireless only:  
▶ Wireless service - 85 cents/month      Pre-paid wireless - 2% of transaction

Telecommunications for the Deaf Fund:  
▶ 5 cent/month fee on land-line/cable line only

## Current disposition of state general fund revenues:

There are four specific dedications of state revenues from these taxes: economic development vendor's compensation, the Telecommunications for the Deaf Fund, and the Telephone Company Property Assessment Relief Fund.

## Options for policy change

Tax telecommunications at the state sales tax rate for other services. *Using data from the fiscal note for HB72 of the 1<sup>st</sup> Extra Session of 2016 - - if assume 2015 tax base at 4% state rate, then \$40 M new revenue (for total state revenue of \$74 M)*

	Rate	Assumed tax collections	Potential expected from 1% tax on same base
<b>Intrastate</b>	3 %	45,000,000	15,000,000
<b>Interstate</b>	2%	6,800,000	3,400,000

Add certain ancillary services such as detailed billing and text messaging to the tax base. *No data available to estimate revenue impact.*

Repeal the prohibition on taxation of telecommunications services by local taxing authorities. Assuming increased local collections of \$74 M plus impact from taxation of certain ancillary services.