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.

<table>
<thead>
<tr>
<th></th>
<th>Rate</th>
<th>Assumed tax collections</th>
<th>Potential expected from 1% tax on same base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intra</td>
<td>3%</td>
<td>45,000,000</td>
<td>15,000,000</td>
</tr>
<tr>
<td>Inter</td>
<td>2%</td>
<td>6,800,000</td>
<td>3,400,000</td>
</tr>
</tbody>
</table>

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 1st 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)

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.