



Communications Services Tax Reform

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 of an important revenue source for municipalities; and provides for a uniform taxing method. 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 Communications Services Simplification Act. The Act replaced and consolidated seven different state and local taxes and fees into a single tax with two centrally administered parts: the state and the local communications services tax (CST). This legislation intended to provide a fair, efficient and uniform method for taxing communications services sold in Florida, including a competitively neutral tax policy for consumers.

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. The tax is imposed on retail sales of communications services that originate and terminate in the state or originate or terminate in the state and are billed to an address within the state. The tax is comprised of two parts: the Florida CST and the local CST.

The local CST is one of the primary sources of locally levied general revenue for municipalities, providing them with \$373 million annually. Counties collect almost \$200 million a year. The State of Florida collects approximately \$687 million including direct-to-home satellite. The state shares a portion of direct-to-home satellite 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.