



2019 Legislative Issue Briefs



Communication Services Tax Protection

Statement:

The Florida League of Cities SUPPORTS legislation to reform 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 intent of this legislation was to provide a fair, efficient and uniform method for taxing communications services sold in Florida, including a competitively neutral tax policy for consumers. The local CST is one of the main sources of locally levied general revenue for municipalities, providing them with almost \$400 million annually. Counties collect more than \$200 million a year. The State of Florida collects approximately \$687 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; and mobile communications. 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. A county or municipality may authorize the levy of a local CST. The local tax rates vary depending on the type of local government. 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.

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. The Florida League of Cities recognizes that because technology has evolved over the past two decades, it is important to take a comprehensive look at how Florida taxes communication services and how to best modernize the revenue stream.

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