Communications Services Tax

Learning from our neighbors
Possible Reasons for Change

- Inefficiency of sales tax to reach all services
  - Phone service (GA used to tax local but not long distance, etc)
- Similar services are taxed differently
  - Wired services pay franchise fees, wireless subject to sales tax
  - Cable, satellite, and streaming are all treated differently
- HB 445 and 887 attempted to address these issues in GA
- Several southeastern states have changed telecom taxation
  - NC, FL, TN, and VA all passed major changes
  - All 4 states were in similar position as GA currently is
Efforts in Southeastern States

North Carolina
- Repealed Franchise Fees (cable only)
  - NC never had telephone franchise fees
- Telecommunications and video (cable/satellite) are subject to state sales tax (7%)
- Local governments receive state distributions (telecom/video) based on 2006 shares with population adjustment

Tennessee
- Sales tax applies to both wireline and wireless
- $0-$15 is tax free, $15-$27.50 is 8.25% state rate, $27.50 and over is 7% plus local
- Satellite is taxed at 8.25% with no local rate
- Interstate Telecommunications - 7.5% (business) 8.5% (residential)
- Intrastate Telecommunications - 9.5% (business and residential)
Efforts in Southeastern States (cont.)

- Virginia
  - Combined 6 revenue streams
    - Local consumer utility tax (landline and wireless telephone)
    - Local E-911 tax (landline)
    - Virginia Relay Center assessment (landline)
    - Local occupational tax on imposed at a rate higher than 0.5%
    - Local video programming excise tax (cable)
    - Local consumer utility tax (cable)
  - Grandfathered franchises in place before 2007
  - Included satellite
  - 5% state rate
    - Local governments receive distribution from the state based on 2006 revenues
Efforts in Southeastern States (cont.)

- Florida
  - In 2001 Florida passed telecommunications reform
  - Created a state and local rate
    - State rate - 7.44%
    - Direct-to-home satellite rate - 11.44%
    - Local rate - 0 - 7.12%
    - Jurisdictions impose their own rate
  - Expanded base to include more services
  - The expanded base has eroded
    - Decline in revenues
    - Rates
Efforts in Southeastern States (cont.)

**FL Communications Tax Paid to Cities**

- Annual Distributions ($ Millions)
  - $0 to $1,000
  - 2002 to 2016

**VA Communications Tax Distributions**

- Yearly Distributions ($ Millions)
  - 2007 to 2016
  - City, County, Town

[Graph showing FL Communications Tax Paid to Cities]

[Graph showing VA Communications Tax Distributions]
Economic Development Comparison Criteria

Telecommunications Employment
- Bureau of Labor Statistics data available for GA, FL, and NC
- NAICS Code 517
  - Cable
  - Satellite
  - Internet access
  - Telephony (Including VoIP)

Connectivity
- FCC data available for GA, FL, NC, TN, and VA
- Population with at least Two Wireline Providers
- Population with any Wireline Technology
### Telecommunications Jobs (In Thousands)
(% of total workforce by year)

<table>
<thead>
<tr>
<th>Year</th>
<th>Georgia</th>
<th>Florida</th>
<th>North Carolina</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>44.2 (0.97%)</td>
<td>63.1 (0.73%)</td>
<td>24.1 (0.58%)</td>
</tr>
<tr>
<td>2007</td>
<td>44.3 (0.94%)</td>
<td>64.6 (0.74%)</td>
<td>25.9 (0.61%)</td>
</tr>
<tr>
<td>2008</td>
<td>42.8 (0.94%)</td>
<td>65.6 (0.75%)</td>
<td>26.2 (0.63%)</td>
</tr>
<tr>
<td>2009</td>
<td>43.2 (0.99%)</td>
<td>62.2 (0.74%)</td>
<td>27.3 (0.66%)</td>
</tr>
<tr>
<td>2010</td>
<td>42.1 (0.99%)</td>
<td>57.8 (0.70%)</td>
<td>26.5 (0.65%)</td>
</tr>
<tr>
<td>2011</td>
<td>41.2 (0.97%)</td>
<td>56.5 (0.66%)</td>
<td>27.2 (0.61%)</td>
</tr>
<tr>
<td>2012</td>
<td>41.4 (0.96%)</td>
<td>55.0 (0.63%)</td>
<td>26.6 (0.60%)</td>
</tr>
<tr>
<td>2013</td>
<td>42.0 (0.97%)</td>
<td>53.0 (0.60%)</td>
<td>25.8 (0.58%)</td>
</tr>
<tr>
<td>2014</td>
<td>41.9 (0.96%)</td>
<td>52.8 (0.58%)</td>
<td>25.7 (0.58%)</td>
</tr>
<tr>
<td>2015</td>
<td>42.4 (0.96%)</td>
<td>51.7 (0.56%)</td>
<td>26.0 (0.58%)</td>
</tr>
<tr>
<td>2016</td>
<td>43.6 (0.94%)</td>
<td>51.0 (0.54%)</td>
<td>26.8 (0.58%)</td>
</tr>
</tbody>
</table>
## Connectivity Comparison w/ Southeastern Reform States

<table>
<thead>
<tr>
<th>State</th>
<th>% Pop. w/ 1 or more providers</th>
<th>% Pop. w/ 2 or more providers</th>
<th>% Pop. w/ 3 or more providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Georgia</td>
<td>100%</td>
<td>92.2%</td>
<td>67.53%</td>
</tr>
<tr>
<td>Florida</td>
<td>100%</td>
<td>97.89%</td>
<td>83.37%</td>
</tr>
<tr>
<td>North Carolina</td>
<td>100%</td>
<td>95.95%</td>
<td>64.84%</td>
</tr>
<tr>
<td>Tennessee</td>
<td>100%</td>
<td>93.58%</td>
<td>71.92%</td>
</tr>
<tr>
<td>Virginia</td>
<td>100%</td>
<td>91.62%</td>
<td>53.69%</td>
</tr>
</tbody>
</table>
Guiding Principles

- Local component
  - FL and TN
- Promote competitive neutrality between providers
  - Broadened base
- Tax like goods and services the same, regardless of delivery
- Neutral and fair to each of the government entities
  - At least revenue neutral
- Provide a more reliable and stable revenue stream
  - Nimble tax system to adapt to technology changes