

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- ▶ Repealed Franchise Fees (cable only)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)

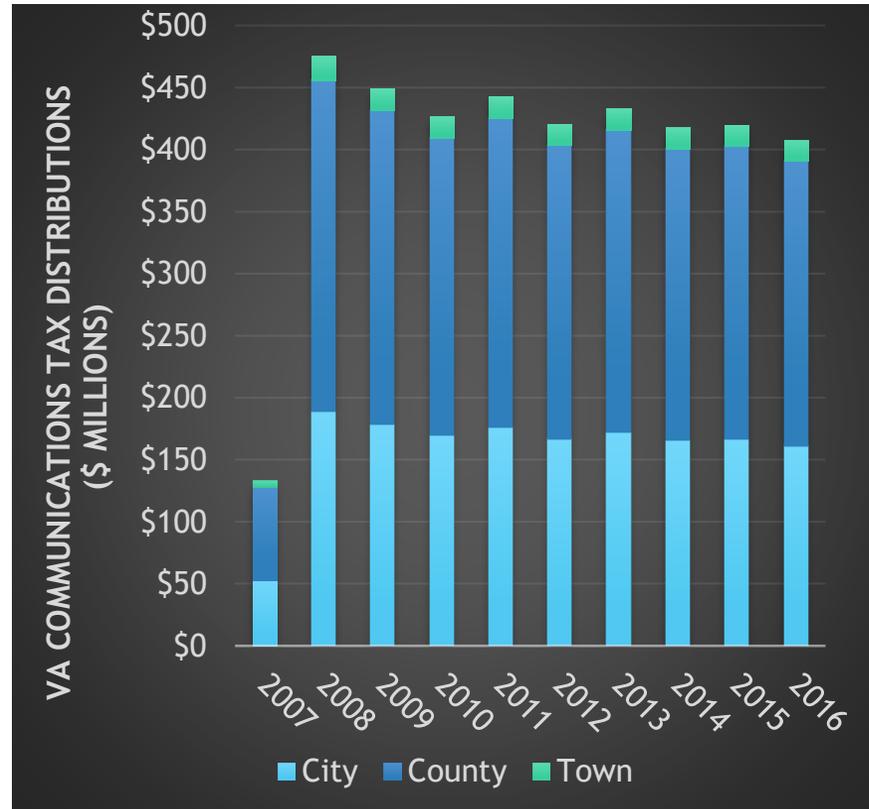
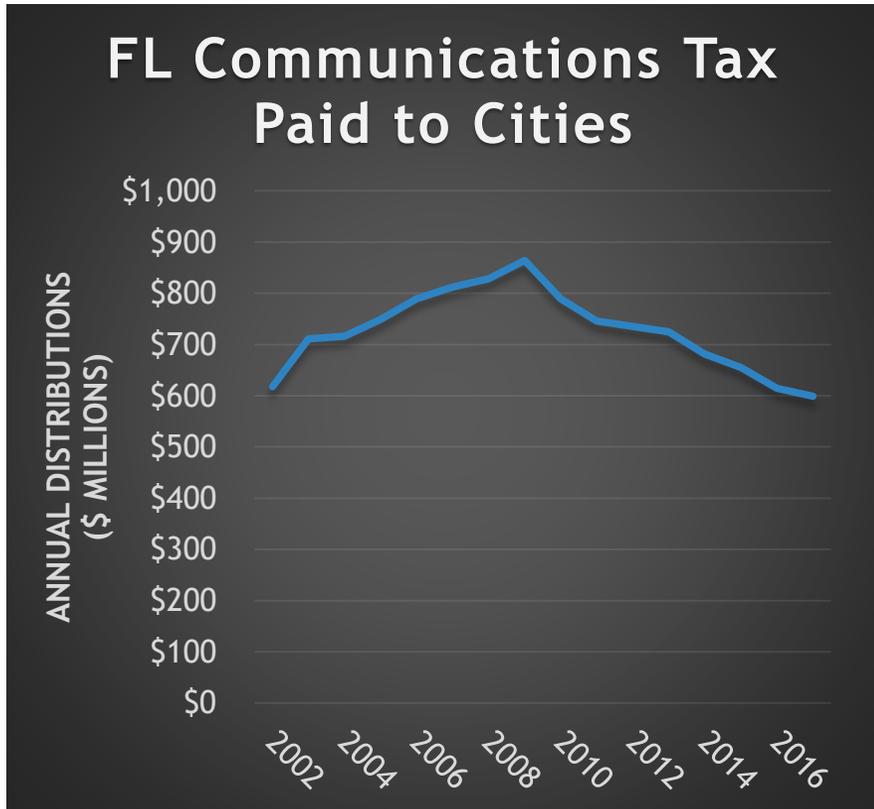
Efforts in Southeastern States (cont.)

- ▶ 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.)



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)

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

Connectivity Comparison w/ Southeastern Reform States

State	% Pop. w/ 1 or more providers	% Pop. w/ 2 or more providers	% Pop. w/ 3 or more providers
Georgia	100%	92.2%	67.53%
Florida	100%	97.89%	83.37%
North Carolina	100%	95.95%	64.84%
Tennessee	100%	93.58%	71.92%
Virginia	100%	91.62%	53.69%

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