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Georgia Rural Development Council

*Overview of Florida's
Communications Services Tax*

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Florida's Communications Services Tax “Simplification” Law

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- Florida's Communications Services Tax (CST) was implemented in 2001 as a replacement or swap for existing state and local taxes and fees.
- The pre-CST revenue sources included:
 - State sales and use tax (telecommunications 7%);
 - Local option sales and use surtax;
 - Gross receipts tax;
 - Negotiated local franchise fees for use of the public rights-of-way;
 - Locally imposed utility taxes; and
 - Local permit fees.
- Some of these revenues were, and continue to be in their rebirth as the CST, used to secure government bonds.

How it all started...

- In the late 1990s, a gubernatorial task force called for Florida to adopt a “unified tax” on communications services with an additional unified statewide “privilege fee” for local governments.
- Several years later, the legislature established a working group of local governments, the communications industry, and legislative and Department of Revenue staff to review and develop the new communications services tax.
- In return for creating the CST, local governments were promised a more stable revenue stream, covering a broader tax base, to protect them from income erosion due to changes brought about by the type of business or method of service delivery utilized.

Taxable Services

- Telecommunications - local, long distance, VoIP, and toll telephone services
- Mobile communications
- Video services - basic, extended, premium, pay-per-view, digital video, two-way cable, and music services
- Direct-to-home satellite services

- Originates and terminates in Florida, or
- Originates or terminates in Florida and is charged to a Florida service address

- **Excludes** prepaid calling arrangements, which are subject to Florida Sales & Use Tax (6% state rate + county surcharges)
- **Excludes** Internet access - IFTA

State CST Rates

<i>Prior to 7/1/2015</i>	State	Gross Receipts	Total
Communications Services	6.65%	2.52%	9.17%
Some Residential Communications Services	0%	2.37%	2.37%
Direct-to-Home Satellite	10.8%	2.37%	13.17%

<i>After 7/1/2015</i>	State	Gross Receipts	Total
Communications Services	4.92%	2.52%	7.44%
Some Residential Communications Services	0%	2.37%	2.37%
Direct-to-Home Satellite	9.07%	2.37%	11.44%

Local CST Rates

- Do not apply to Direct-to-Home Satellite
- 481 separate local jurisdictions
 - More than 100 unique rates
- *Low*: Bay Lake & Lake Buena Vista (Orange County) 0.3%
- *High*: Sanford (Seminole County) 7.6%
- *Unweighted Average*: approximately 5.04%

Florida Department of Revenue Address/Jurisdiction Database

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Communications Services Tax Rate Table

This table provides current Communications Services Tax (CST) rates for all taxing jurisdictions within the state. You can view or download and save all information. The default sort is alphabetical by county name and then jurisdiction name within the county. To sort alphabetically by jurisdiction name only, click twice on "county" in the header row. This information is subject to change. [Learn more](#) about Communications Services Tax.

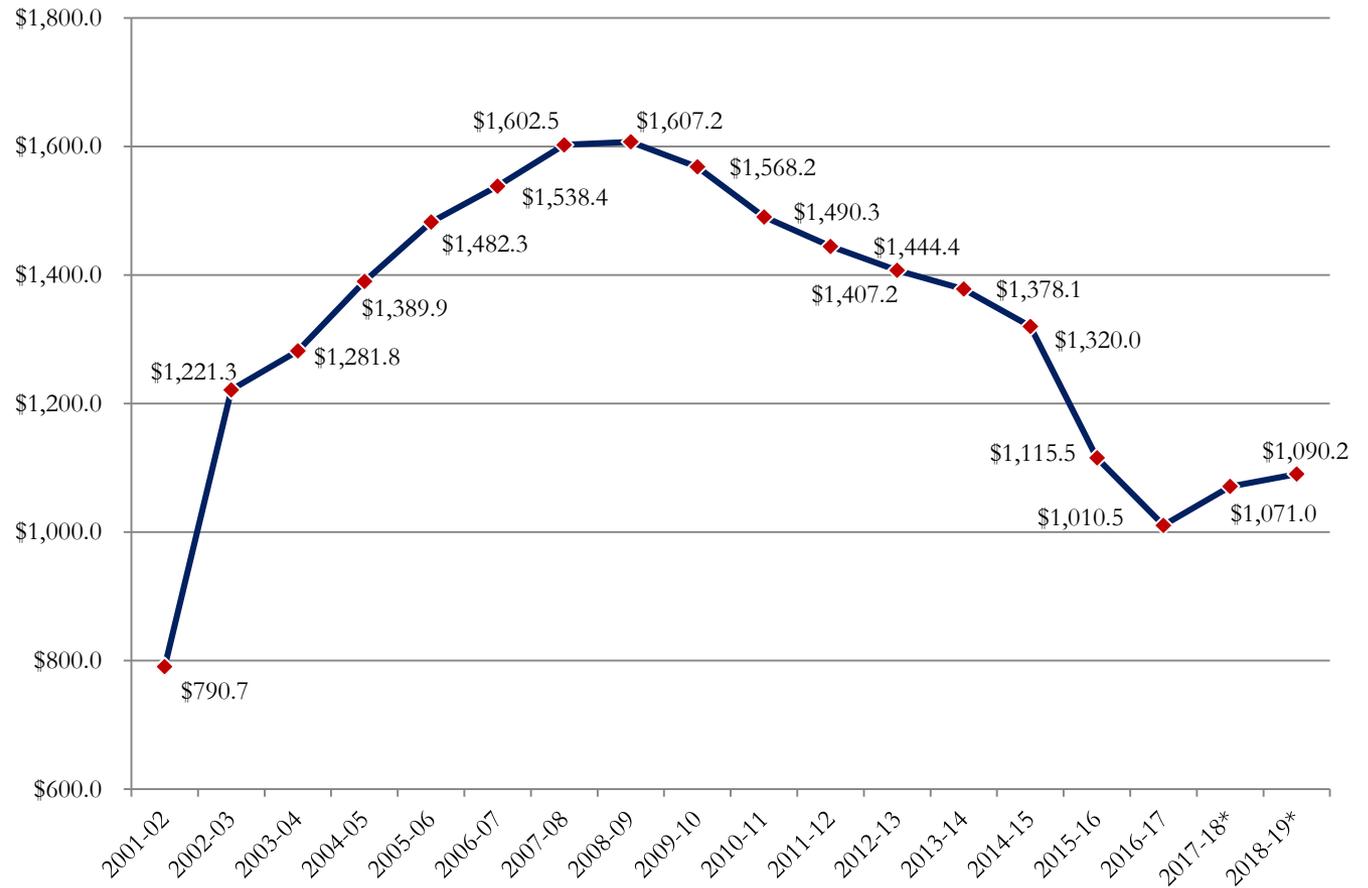
Showing 1 to 25 of 481 entries. [Download All](#)

#	Jurisdiction	Place Feature ID	County #	County FIPS	Adopted Rate	County Surtax Conversion Rate	Total Local Rate	Effective Date
1	UNINCORPORATED ALACHUA	00000000	ALACHUA	001	6.90 %	0.30 %	7.20 %	01/01/2017
2	ALACHUA	00240370	ALACHUA	001	5.22 %	0.30 %	5.52 %	01/01/2017
3	ARCHER	00240379	ALACHUA	001	5.22 %	0.30 %	5.52 %	01/01/2017
4	GAINESVILLE	00240367	ALACHUA	001	5.57 %	0.30 %	5.87 %	01/01/2017
5	HARTHORNE	00240466	ALACHUA	001	5.22 %	0.30 %	5.52 %	01/01/2017
6	HIGH SPRINGS	00240497	ALACHUA	001	5.22 %	0.30 %	5.52 %	01/01/2017
7	LA CROSSE	00240592	ALACHUA	001	3.42 %	0.30 %	3.72 %	01/01/2017
8	WILCOXVILLE	00240613	ALACHUA	001	5.10 %	0.30 %	5.40 %	01/01/2017
9	NEWBERRY	00240470	ALACHUA	001	5.22 %	0.30 %	5.52 %	01/01/2017
10	WALDO	00240560	ALACHUA	001	5.22 %	0.30 %	5.52 %	01/01/2017
11	UNINCORPORATED BAKER	00000000	BAKER	003	1.84 %	0.50 %	2.34 %	01/01/2008
12	GLEN ST HARY	00240577	BAKER	003	5.30 %	0.50 %	5.80 %	10/01/2002
13	JACCLENNY	00240494	BAKER	003	6.02 %	0.50 %	6.52 %	10/01/2002
14	UNINCORPORATED BAY	00000000	BAY	005	1.84 %	0.50 %	2.34 %	01/01/2017
15	CALLAWAY	00240371	BAY	005	5.22 %	0.50 %	5.72 %	01/01/2017
16	LYNN HAVEN	00240491	BAY	005	5.22 %	0.50 %	5.72 %	01/01/2017
17	WESICO BEACH	00240424	BAY	005	2.88 %	0.50 %	3.38 %	01/01/2017
18	PANAMA CITY	00240468	BAY	005	5.22 %	0.50 %	5.72 %	01/01/2017
19	PANAMA CITY BEACH	00240469	BAY	005	5.22 %	0.50 %	5.72 %	01/01/2017
20	RAVIER	00240449	BAY	005	5.22 %	0.50 %	5.72 %	01/01/2017
21	SPRINGFIELD	00240513	BAY	005	5.22 %	0.50 %	5.72 %	01/01/2017
22	UNINCORPORATED BRADFORD	00000000	BRADFORD	007	0.64 %	0.60 %	1.24 %	10/01/2002
23	BROOKER	00240512	BRADFORD	007	3.00 %	0.60 %	3.60 %	10/01/2002
24	HAMPTON	00240379	BRADFORD	007	2.20 %	0.60 %	2.80 %	10/01/2002
25	LAWTEY	00240496	BRADFORD	007	1.10 %	0.60 %	1.70 %	10/01/2002

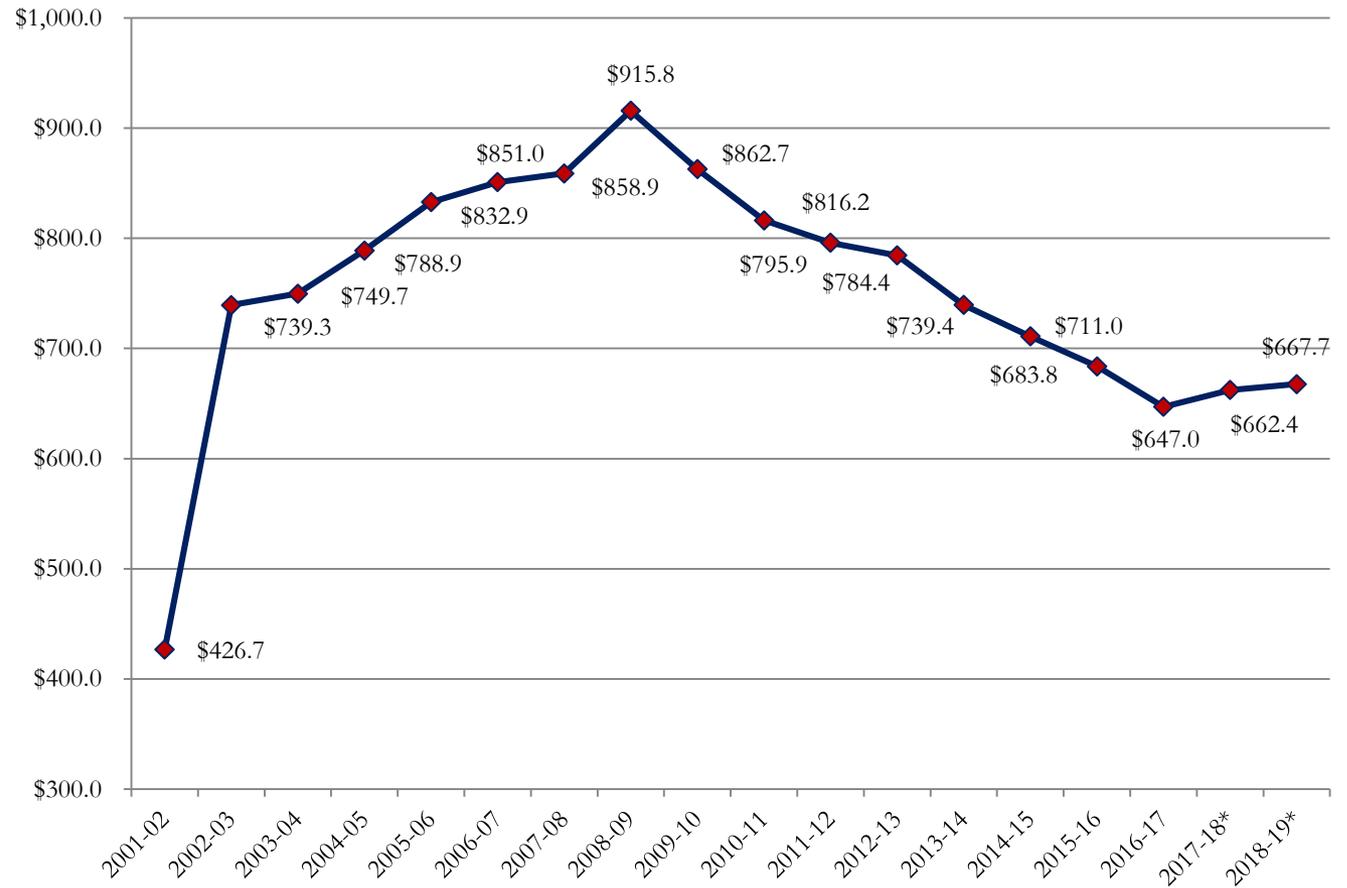
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Historical State Revenues



Historical Local Revenues



Significant Legislation

- Chapter 2002-48, L.O.F. (HB 1511), conformed the communications services tax exemption for religious and educational institutions to similar provisions in the sales tax statute. It also provided an exemption for the public lodging industry from the requirement that dealers separately state the communications services tax.
- Chapter 2003- 254, L.O.F. (SB 1176), exempted homes for the aged from the tax on communications services.
- Chapter 2005-187, L.O.F. (SB 2070), repealed the tax on substitute communications systems.
- Chapter 2010-138, L.O.F. (HB 7157), clarified that the partial exemption for residential households does not apply to any residence that constitutes all or part of a transient public lodging establishment.

Significant Legislation

- Chapter 2010-83, L.O.F. (HB 281), allowed dealers to net credits for bad debts directly against CST tax due.
- Chapter 2010-149, L.O.F. (SB 2024), decreased the communications services sales tax rate to 6.65 percent and increased the gross receipts tax rate to 2.52 percent.
- Chapter 2011-120, L.O.F. (HB 887), required the tax to be calculated using the traditional “4-5” rounding rule, and allows the dealer to round at the item or invoice level.
- Chapter 2012-70, L.O.F. (HB 809), allowed dealers to unbundle taxable and non-taxable items stated jointly on a customer’s bill as long as the dealer could identify the items in its books and records. Additionally, created a nine member Working Group to review key issues and identifying options to achieve stated goals.

Significant Legislation

- Chapter 2014-38, L.O.F. (HB 5601), revised the definition of prepaid calling arrangements to include services other than telephone calls, and services which terminate upon the expiration or exhaustion of all prepaid units and do not require the purchase of additional units.
- Chapter 2015-221, L.O.F. (HB 33A), reduced the state rates.



2012-13 CST Working Group

- For a tax system to work well, it should be reliable, simple, neutral, transparent, fair, and modern. Florida's CST could benefit from reform in nearly every one of these areas, especially given the pace of technological change
- After reviewing numerous options intended to improve the current system, the Working Group concluded that the best approach to modernize the tax structure would be to repeal the Communications Services Tax and bring all services under an increased sales and use tax.
- Department of Revenue's Office of Tax Research estimated that the state sales and use tax rate would need to be adjusted from the current rate of 6 percent to 6.34 percent to offset the loss of revenue from the repeal of the CST.

https://revenuелaw.floridarevenue.com/LawLibraryDocuments/2013/02/CST-117727_CSTWorkingGroupFinalReport.pdf

Significant Litigation



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Florida Department of Revenue v. DirecTV, Inc.,
215 So.3d 46 (Fla. 2017).

- Unanimous decision rejected arguments by satellite companies DirecTV and Dish Network that the differing tax rates are discriminatory and violate the Commerce Clause.
- Reversed a 2015 ruling by the 1st District Court of Appeal that raised the prospect of the state having to pay refunds to the satellite companies.
- The Court concluded, "Cable is not a local, in-state interest any more than satellite. While it may be true that cable employs more Florida residents and uses more local infrastructure to provide its services, the Supreme Court has never found a company to be an in-state interest because it had a greater presence in a state."

Significant Administrative Guidance

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Technical Assistance Advisement 05A19-002 (April 2005)

- Taxpayer offers various services to motorists, delivered from locations outside Florida using wireless communications to facilitate delivery. Services include:
 - Airbag notification, stolen vehicle tracking, emergency assistance, roadside assistance, remote door unlock
 - Online concierge, driving directions, information and convenience services, ride assist
- Taxpayer is the consumer of the communications services it uses to provide its services, and not the seller of communications services.



Significant Administrative Guidance

Technical Assistance Advisement 10A19-031 (June 2010)

- Taxpayer is providing its customer, or subscribers, a digital video programming service delivered over a broadband network using Internet protocol for transmission.

Technical Assistance Advisement 14A19-005 (Dec. 2014)

- Rental of digital video content is a “video service” as a pay-per-view or a digital video service for CST purposes.
- The sale of digital video content, whether downloaded and/or stored on their online library, is the sale of an information service, not subject to CST.



What Could be Next for Florida...

- Clarify treatment of newer services and technologies.
- *Wayfair* – economic nexus standard.
- Ease administration - reduce number of local jurisdictions.
- Create local distribution formula.



Questions?

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