

VIRGINIA ACTS OF ASSEMBLY -- 2002 SESSION

CHAPTER 68

An Act to amend and reenact §§ 56-484.12, 56-484.17, and 58.1-3812 of the Code of Virginia, relating to the sourcing of local mobile telecommunications services subject to local taxation.

[S 122]

Approved March 4, 2002

Be it enacted by the General Assembly of Virginia:

1. That §§ 56-484.12, 56-484.17, and 58.1-3812 of the Code of Virginia are amended and reenacted as follows:

§ 56-484.12. Definitions.

As used in this article, unless the context requires a different meaning:

"Automatic location identification" or "ALI" means a telecommunications network capability that enables the automatic display of information defining the geographical location of the telephone used to place a wireless Enhanced 9-1-1 call.

"Automatic number identification" or "ANI" means a telecommunications network capability that enables the automatic display of the telephone number used to place a wireless Enhanced 9-1-1 call.

"Board" means the Wireless E-911 Services Board created pursuant to this article.

"Coordinator" means the Virginia Public Safety Communications Systems Coordinator employed by the Division.

"CMRS" means "commercial mobile radio service" as defined in Sections 3 (27) and 332 (d) of the Federal Telecommunications Act of 1996, 47 U.S.C. § 151 et seq., and the Omnibus Budget Reconciliation Act of 1993, Public Law 103-66, 107 U.S.C. § 312. It includes the term "wireless" and service provided by any wireless real time two-way voice communication device, including radio-telephone communications used in cellular telephone service or personal communications service mobile telecommunications service as defined in the federal Mobile Telecommunications Sourcing Act, 4 U.S.C. § 124, as amended.

"CMRS provider" means an entity authorized by the Federal Communications Commission to provide CMRS within the Commonwealth of Virginia.

"Director" means the Director of the Department of Technology Planning.

"Division" means the Division of Public Safety Communications Systems.

"Enhanced 9-1-1 service" or "E-911" means a service consisting of telephone network features and PSAPs provided for users of telephone systems enabling such users to reach a PSAP by dialing the digits "9-1-1." Such service automatically directs 9-1-1 emergency telephone calls to the appropriate PSAPs by selective routing based on the geographical location from which the emergency call originated and provides the capability for ANI and ALI features.

"FCC order" means Federal Communications Commission Order 94-102 (61 Federal Register 40348) and any other FCC order that affects the provision of E-911 service to CMRS customers.

"Local exchange carrier" means any public service company granted a certificate to furnish public utility service for the provision of local exchange telephone service pursuant to Chapter 10.1 (§ 56-265.1 et seq.) of Title 56.

"Place of primary use" has the meaning attributed in subsection K of § 58.1-3812.

"Public safety answering point" or PSAP means a facility (i) equipped and staffed on a twenty-four-hour basis to receive and process E-911 calls or (ii) that intends to receive and process E-911 calls and has notified CMRS providers in its jurisdiction of its intention to receive and process such calls.

"Wireless E-911 CMRS costs" means all reasonable, direct recurring and nonrecurring capital costs and operating expenses incurred by CMRS providers in designing, upgrading, leasing, purchasing, programming, installing, testing, administering, delivering, or maintaining all necessary data, hardware, software and local exchange telephone service required to provide wireless E-911 service, which have been sworn to by an authorized agent of a CMRS provider.

"Wireless E-911 fund" means a dedicated fund consisting of all moneys collected pursuant to the wireless E-911 surcharge, as well as any additional funds otherwise allocated or donated to the wireless E-911 fund.

"Wireless E-911 PSAP costs" means all reasonable direct recurring and nonrecurring capital costs and operating expenses incurred by a PSAP in designing, upgrading, leasing, purchasing, programming, installing, testing, administering, delivering, or maintaining all necessary data, hardware, software and local exchange telephone service required to provide wireless E-911 service and direct personnel costs incurred in receiving and dispatching wireless E-911 emergency telephone calls, which have been sworn to by an authorized agent of the PSAP.

"Wireless E-911 service" means the E-911 service required to be provided by CMRS providers pursuant to the FCC order.

"Wireless E-911 surcharge" means a monthly fee of seventy-five cents billed monthly ~~on a per wireless telephone line basis~~ by each CMRS provider and CMRS reseller ~~to its Virginia customers on each CMRS number of a customer with a place of primary use in Virginia.~~

§ 56-484.17. Wireless E-911 Fund; uses of Fund; enforcement; audit required.

A. There is hereby created in the state treasury a special nonreverting fund to be known as the Wireless E-911 Fund (the Fund). The Fund shall be established on the books of the Comptroller. Interest earned on moneys in the Fund shall remain in the Fund and be credited to it. Any moneys remaining in the Fund, including interest thereon, at the end of each fiscal year shall not revert to the general fund but shall remain in the Fund. Except as provided in § 2.2-1710, moneys in the Fund shall be used solely for the purposes stated in subsections C through F. Expenditures and disbursements from the Fund shall be made by the State Treasurer on warrants issued by the Comptroller upon written request signed by the Director.

B. Each CMRS provider shall collect a wireless E-911 surcharge from each of its customers whose ~~billing address~~ *place of primary use* is within the Commonwealth. All wireless E-911 surcharges shall be remitted within ~~30~~ *thirty* days to the Board for deposit in the Fund. Each CMRS provider shall reduce collected surcharge amounts to the minimum amount necessary to defray costs of collecting the surcharges, not to exceed three percent of the amount collected. State and local taxes shall not apply to the wireless E-911 surcharge. *Fees levied under this subsection shall be subject to the provisions of subsection J of § 58.1-3812.*

C. The Board shall provide full payment to PSAP operators for all wireless E-911 PSAP costs and to CMRS providers of all wireless E-911 CMRS costs. For these purposes (i) each PSAP operator shall submit to the Board on or before October 1 of each year, an estimate of wireless E-911 PSAP costs it expects to incur during its next fiscal year and (ii) each CMRS provider shall submit to the Board on or before December 31 of each year an estimate of wireless E-911 CMRS costs it expects to incur during the next fiscal year of counties and municipalities in whose jurisdiction it operates. The Board shall review such estimates and advise each PSAP operator and CMRS provider on or before the following March 1 whether its estimate qualifies for payment hereunder and whether the Wireless E-911 Fund is expected to be sufficient for such payment during said fiscal year. Each PSAP operator and CMRS provider shall notify the Board promptly of any material change in its plans to provide wireless E-911 service.

D. The Board shall make such qualifying payments to each PSAP operator and CMRS provider in four equal payments at the beginning of each calendar quarter of such fiscal year. If the Wireless E-911 Fund is insufficient during any calendar quarter to make all such qualifying payments, the Board shall prorate payments equally among all PSAP operators and CMRS providers during such calendar quarter. Unpaid amounts shall be carried forward for payment during the next calendar quarter. Such carry-forward process shall continue until all qualifying payments have been made.

E. During the period July 1 through September 30 of each year, the Board shall determine whether qualifying payments to PSAP operators and CMRS providers during the preceding fiscal year exceeded or were less than the actual wireless E-911 PSAP costs or wireless E-911 CMRS costs of any PSAP operator or CMRS provider. Each PSAP operator or CMRS provider shall provide such verification of such costs as may be requested by the Board. Any overpayment shall be refunded to the Board or credited to qualifying payments during the then current fiscal year, on such schedule as the Board shall determine.

F. Any estimate of wireless E-911 PSAP costs submitted to the Board after October 1 and any estimate of wireless E-911 CMRS costs submitted to the Board after December 31 of any year shall be reviewed by the Board as described in subsection A to the extent practicable as determined by the Board; however, qualifying payments based on estimates submitted in accordance with the schedule set forth in subsection A shall have priority for payment.

G. CMRS providers and PSAPs found by the Board to be using the Wireless E-911 Fund moneys for purposes other than those authorized by the Board shall be provided with written notice by the Board of such unauthorized expenditures. Upon receipt of the notice, the named CMRS provider or PSAP shall cease making any expenditure involving Wireless E-911 Fund moneys identified by the Board as unauthorized. The CMRS provider or PSAP may petition and shall receive a hearing before the Board within a reasonable time. At the Board's discretion, the CMRS provider or PSAP shall be required to refund within ninety days any Wireless E-911 Fund moneys spent on unauthorized expenditures to the Board for deposit into the Wireless E-911 Fund. CMRS providers or PSAPs who fail to cease making unauthorized expenditures or fail to comply with a request to refund Wireless E-911 Fund moneys shall be subject to a suspension of future Wireless E-911 funding by the Board until such time as they comply with all provisions of this article. Any action of the Board made pursuant to this section shall be subject to appeal to the circuit court in which the CMRS provider or PSAP is located, or to the Circuit Court for the City of Richmond.

H. The Auditor of Public Accounts, or his legally authorized representatives, shall annually audit the

Wireless E-911 Fund. The cost of such audit shall be borne by the Board and be payable from the Wireless E-911 Fund, as appropriate. The Board shall furnish copies of the audits to the Governor, the Public Safety Subcommittees of the Senate Committee on Finance and the House Committee on Appropriations, and the Virginia State Crime Commission.

I. The special tax authorized by § 58.1-3813.1 shall not be imposed on consumers of CMRS.

§ 58.1-3812. Telegraph and telephone companies.

A. Subject to the limitations contained in ~~subsection~~ *subsections C and J*, any county, city or town may impose a tax on a taxable purchase by a consumer of local telecommunication service if the consumer's service address is located in such county, city or town. Except as otherwise provided, the tax shall not be imposed at a rate in excess of twenty percent of the monthly gross charge to a consumer and shall not be applicable to any amount so charged in excess of fifteen dollars per month for a residential consumer; however, any county, city or town that on July 1, 1972, imposed a tax in excess of limits specified herein may continue to impose such a tax in excess of such limits, but no more. Notwithstanding the foregoing, the tax may be imposed only at a rate equal to ten percent of the monthly gross charge to a consumer of ~~mobile local telecommunication~~ *local mobile telecommunications service* and shall not be applicable to any amount so charged in excess of thirty dollars per month for each *mobile telecommunications service number billed to a mobile service consumer*. No county, city or town that currently is not collecting the tax on ~~mobile local telecommunication~~ *local mobile telecommunications service* shall begin to collect the tax on ~~mobile local telecommunication~~ *local mobile telecommunications service* before September 1, 1994, for bills sent to consumers on and after that date. However, any county with a population of at least 68,000 but not more than 69,000, any city with a population of at least 40,000 but not more than 41,000, and any city with a population of at least 66,000 but not more than 67,000 shall conform with the provisions of this section in accordance with the following schedule:

| Fiscal Year | Rate | Cap |
|----------------|------|-----------------|
| 1994-95 | 10% | None |
| 1995-96 | 10% | \$100 |
| 1996-97 | 10% | \$50 |
| July 1, 1997 | | |
| and thereafter | | Full Conformity |

B. Any tax enacted pursuant to the provisions of this section or any change in a tax or structure already in existence shall not be effective until 120 days subsequent to written notice by certified mail from the county, city or town imposing such tax or change thereto, being received by the registered agent of the service provider that is required to collect the tax.

C. No county shall impose a tax hereunder within the limits of any incorporated town located within such county when such town constitutes a separate school district and such town imposes a town tax authorized by this section. No county shall impose a tax hereunder within the limits of any incorporated town located within such county when such town has enacted an ordinance on or before January 1, 2000, to impose a tax hereunder and such ordinance remains in effect. Except as provided in this subsection, no town shall impose a tax hereunder if the county within which such town is located imposes a county tax authorized by this section.

D. Any county, city or town may provide for an exemption from the tax for any public safety answering point as defined in § 58.1-3813.1.

E. Any city with a population of not less than 27,000 and not more than 28,500 may provide an exemption from the tax for any church or religious body entitled to an exemption pursuant to Article 4 (§ 58.1-3650 et seq.) of Chapter 36. Any city providing such exemption shall provide the telephone account numbers of all exempted churches and religious bodies to all service providers required to collect the tax as part of the notice required pursuant to subsection B.

F. A service provider of local telecommunication services shall collect the tax from the consumer by adding the tax to the monthly gross charge for such services. The tax shall, when collected, be stated as a distinct item separate and apart from the monthly gross charge. Until the consumer pays the tax to the service provider, the tax shall constitute a debt of the consumer to the county, city or town. If any consumer refuses to pay the tax, the service provider shall notify the county, city or town. After the consumer pays the tax to the service provider, the taxes collected shall be deemed to be held in trust by the service provider until remitted to the county, city or town.

G. A service provider shall remit monthly to each county, city or town the amount of tax billed during the preceding month to consumers with a service address in that county, city or town, less any

discount allowed under § 58.1-3816.1.

H. No county, city or town may impose the tax on consumers of ~~mobile local telecommunication~~ *local mobile telecommunications* service unless it also imposes the tax on the consumers of the other forms of local telecommunication services.

I. Any consumer shall be entitled to a refund from the county, city or town imposing the tax equal to the amount of any tax the consumer paid to a jurisdiction outside of the Commonwealth if such tax was legally imposed in such other jurisdiction; however, the amount of credit or refund shall not exceed the tax paid to the county, city or town on such purchase.

J. 1. *The federal Mobile Telecommunications Sourcing Act (4 U.S.C. § 116 et seq., as amended) created a uniform methodology for sourcing of mobile telecommunications services subject to state and local taxes, fees, and charges. It is the intent of the General Assembly that state and local taxes, fees, and charges on mobile telecommunications service be imposed in accordance with federal law.*

2. *Mobile telecommunications service provided to a customer and billed by or for the customer's home service provider shall be deemed to be provided by the home service provider at the customer's place of primary use. Subject to the exclusions in the federal Mobile Telecommunications Sourcing Act, 4 U.S.C. § 116 (c), as amended, local mobile telecommunications service taxable under subsection A shall be taxable in the jurisdiction whose territorial limits encompass the customer's place of primary use, regardless of where the mobile telecommunications services originate, terminate, or pass through. No mobile telecommunications service shall be taxable in this Commonwealth or any jurisdiction in this Commonwealth if the customer's place of primary use is outside this Commonwealth.*

3. *When otherwise taxable and non-taxable charges for mobile telecommunications service are aggregated, the charges for nontaxable mobile telecommunications service shall be subject to taxation, unless the home service provider can reasonably identify charges not subject to taxation from its books and records that are kept in the regular course of business.*

4. *The Tax Commissioner may provide a home service provider with an electronic database that meets the requirements of 4 U.S.C. § 119, as amended. If such database is provided, a home service provider shall be held harmless from any tax, charge, or fee liability for errors of omissions due solely to the reliance on such database, subject to 4 U.S.C. §§ 119 and 121, as amended. If no electronic database is provided by the Tax Commissioner, a home service provider may use an enhanced zip code to assign each street address to a specific taxing jurisdiction, and the home service provider shall be held harmless from any tax, charge, or fee liability that otherwise would be due solely as a result of an assignment of a street address to an incorrect taxing jurisdiction, subject to 4 U.S.C. §§ 120 and 121, as amended.*

5. *The Tax Commissioner shall require a home service provider to obtain and maintain a customer's place of primary use and the local assessing officer shall allow the home service provider to rely on this address as provided under 4 U.S.C. § 122, as amended. The Tax Commissioner may correct the place of primary use, or correct the assignment of a taxing jurisdiction by a home service provider, in accordance with 4 U.S.C. § 121, as amended.*

6. *Nothing in this subsection modifies, impairs, supersedes, or authorizes the modification, impairment, or supersession of any law allowing a taxing jurisdiction to collect a tax, charge, or fee from a customer that has failed to provide its place of primary use.*

7. *If a customer believes that an amount of tax, charge, or fee or an assignment of place of primary use or taxing jurisdiction included on a billing is erroneous, the customer shall notify the home service provider in writing. The customer shall include in this written notification the street address for the customer's place of primary use, the account name and number for which the customer seeks a correction, a description of the error asserted by the customer, and any other information that the home service provider reasonably requires to process the request. Within sixty days of receiving a notice under this section, the home service provider shall review its records to determine the customer's taxing jurisdiction. If this review shows that the amount of tax, charge, or fee or assignment of place of primary use or taxing jurisdiction is in error, the home service provider shall correct the error and refund or credit the amount of tax, charge, or fee erroneously collected from the customer for a period of up to two years. If this review shows that the amount of tax, charge, or fee or assignment of place of primary use or taxing jurisdiction is correct, the home service provider shall provide a written explanation to the customer. The procedures in this section shall be the first course of remedy available to customers seeking correction of assignment of place of primary use or taxing jurisdiction, or a refund of or other compensation for taxes, charges, and/or fees erroneously collected by the home service provider, and no cause of action based upon a dispute arising from such taxes, charges, or fees shall accrue until a customer has reasonably exercised the rights and procedures set forth in this subsection.*

8. *For the purposes of this subsection, the terms "customer," "enhanced zip code," "home service provider," "licensed service area," "serving carrier," and "taxing jurisdiction" shall have the meaning attributed to them by the federal Mobile Telecommunications Sourcing Act, 4 U.S.C. § 124, as amended.*

K. As used in this article, unless the context clearly requires otherwise:

"Affiliated group" shall have the same meaning ascribed to it in subdivision C 10 of § 58.1-3703, except, for purposes of this article, the word "entity" shall be substituted for the word "corporation"

whenever it is used in that section.

"Bad debts" means any portion of a debt related to a sale of local telecommunication services, the gross charges for which are not otherwise deductible or excludable, that has become worthless or uncollectible, as determined under applicable federal income tax standards. If the portion of the debt deemed to be bad is subsequently paid, the service provider shall report and pay the tax on that portion during the reporting period in which the payment is made.

"Consumer" means a person who, individually or through agents, employees, officers, representatives, or permittees, makes a taxable purchase of local telecommunication services.

"Enhanced services" means services that employ computer processing applications to act on the format, code, or protocol or similar aspects of the information transmitted; provide additional, different, or restructured information; or involve interaction with stored information.

"Gross charges" means, subject to the exclusions of this section, the amount charged or paid for the taxable purchase of local telecommunication services. However, "gross charges" shall not include the following:

1. Charges or amounts paid that vary based on the distance and/or elapsed transmission time of the communication that are separately stated on the consumer's bill or invoice.

2. Charges or amounts paid for customer equipment, including such equipment that is leased or rented by the customer from any source, if such charges or amounts paid are separately identifiable from other amounts charged or paid for the provision of local telecommunication services on the service provider's books and records.

3. Charges or amounts paid for administrative services, including, without limitation, service connection and reconnection, late payments, and roamer daily surcharges.

4. Charges or amounts paid for special features that are not subject to taxation under § 4251 of the Internal Revenue Code of 1986, as amended.

5. Charges or amounts paid that are (i) the tax imposed by § 4251 of the Internal Revenue Code of 1986, as amended or (ii) any other tax or surcharge imposed by statute, ordinance or regulatory authority.

6. Bad debts.

"Local telecommunication service," subject to the exclusions stated in this section, includes, without limitation, the two-way local transmission of messages through use of switched local telephone services; telegraph services; teletypewriter; ~~local cellular mobile radio telecommunication services; specialized mobile radio; stationary two-way radio; or any other form of two-way mobile and portable communications~~ or local mobile telecommunications service.

"Local telephone service," subject to the exclusions stated in this section, includes any service subject to federal taxation as local telephone service as that term is defined in § 4252 of the Internal Revenue Code of 1986, as amended, or any successor statute.

"Mobile service consumer" means a person having a telephone number for ~~mobile local telecommunication~~ local mobile telecommunications service who has made a taxable purchase of such service or on whose behalf another person has made a taxable purchase of such service.

"~~Mobile local telecommunication~~ telecommunications service" means ~~any two-way mobile or portable local telecommunication service, including cellular mobile radio telecommunication service and specialized mobile radio commercial mobile radio service, as defined in 47 C.F.R. § 20.3, as in effect on June 1, 1999.~~

"Mobile service provider" means every person engaged in the business of selling mobile local telecommunication services to consumers.

"Place of primary use" means the street address representative of where the customer's use of the mobile telecommunications service primarily occurs, which must be the residential street address or the primary business street address of the customer and within the licensed service area of the home service provider.

"Residential consumer" shall not include any consumer of mobile local telecommunication service.

"Service address" means the location of the telecommunication equipment from which the telecommunication is originated or at which the telecommunication is received by a consumer. However, if the service address is not a defined location, as in the case of ~~mobile telephones~~, maritime systems, air-to-ground systems and the like, service address shall mean the location of the subscriber's primary use of the telecommunication equipment within the licensed service area. ~~A mobile service provider may obtain a signed statement from a consumer indicating which county, city or town within the licensed service area is the location of the consumer's primary use of the telecommunication equipment. A mobile service provider shall be entitled to rely absolutely on a consumer's signed statement and shall remit the taxes collected to the county, city or town identified by the consumer. In the absence of a signed statement by a consumer, a mobile service provider shall identify the county, city or town of the consumer's primary use and shall remit the tax to such county, city or town based on any other reasonable method, including, without limitation, the consumer's billing address, service address, or telephone number within the licensed service area. In the case of mobile telecommunications service, service address shall mean the customer's place of primary use.~~

"Service provider" means every person engaged in the business of selling local telecommunication services to consumers.

"Taxable purchase" means the acquisition of telecommunication services for consumption or use; however, taxable purchase does not include (i) the provision of telecommunications among members of an affiliated group of entities by a member of the group for their own exclusive use and consumption and (ii) the purchase of telecommunications for resale in the subsequent provision of telecommunications, including, without limitation, carrier access charges, right of access charges, and charges for use of intercompany facilities; however, the acquisition of telecommunications by a provider of enhanced services is not the purchase of telecommunications for resale, even when the cost of the telecommunications is separately stated to the purchaser of the enhanced services, as long as the primary object of the purchase of the telecommunications by the provider is for the provision of enhanced services and not telecommunications. A person may make tax-free purchases of telecommunications for resale if the person provides to the service provider a sworn affidavit indicating that the person's purchases are nontaxable sales for resale.

2. That if a court of competent jurisdiction enters a final judgment on the merits that is based on federal law, is no longer subject to appeal, and substantially limits or impairs the essential elements of the Mobile Telecommunications Sourcing Act, 4 U.S.C. § 116 et seq., as amended, adopted by this act, then all amendments enacted by this act are declared to be invalid and have no legal effect as of the date of entry of such judgment. Further, as of the date of entry of such judgment, all amendments enacted by this act shall automatically be repealed and the law in effect immediately prior to the effective date of this act, as it pertained to the sourcing of local mobile telecommunications services, shall be effective.

3. That the Tax Commissioner shall consult with local governing bodies and other interested persons for purposes of the implementation of subdivisions 4 and 5 of subsection J of § 58.1-3812.

4. That the provisions of this act shall be applicable to customer bills issued after August 1, 2002.