

**DEPARTMENT OF TAXATION  
2005 Fiscal Impact Statement**

**1. Patron** Samuel A. Nixon, Jr.

**2. Bill Number** HB 2880

**3. Committee** Passed House and Senate

**House of Origin:**

           **Introduced**

           **Substitute**

           **Engrossed**

**4. Title** Communications Taxes

**Second House:**

           **In Committee**

           **Substitute**

  X   **Enrolled**

**5. Summary/Purpose:**

This bill would require the Auditor of Public Accounts ("APA") to determine the amount of revenues received by every locality included in the APA's Comprehensive Revenue Report for Fiscal Year 2005, for the following taxes collected by communications services providers: (1) the Consumer Utility Tax on landline and wireless telephone service; (2) the E-911 tax on landline telephone service; (3) the portion of the local Business, Professional, and Occupational License (BPOL) tax on public service companies exceeding .5% currently billed to customers in some grandfathered localities; (4) the cable television franchise fees; and (5) the Video Programming Excise Tax on cable television services.

The APA would be required to report its findings to the chairmen of the House and Senate Finance Committees and the Department of Taxation no later than December 1, 2005.

**6. No Fiscal Impact.** (See Line 8.)

**7. Budget amendment necessary:** No.

**8. Fiscal implications:**

This bill would have no impact on state revenues. The Auditor of Public Accounts states that the administrative costs of performing this study would be minimal.

**9. Specific agency or political subdivisions affected:**

Auditor of Public Accounts

**10. Technical amendment necessary:** No.

## 11. Other comments:

### Current Communications Taxes

Communications services, such as landline and wireless telephone service and cable television service, are currently subject to one or more of the following state and local taxes and fees:

- Local Consumer Utility Tax on landline and wireless telephone service;
- Local E-911 tax on landline telephone service;
- State E-911 fee on wireless telephone service;
- Virginia Relay Center Assessment on landline and wireless telephone service for the costs of a telephone relay service for the hearing impaired;
- The portion of the local Business, Professional, and Occupational License (BPOL) tax on public service companies exceeding .5% currently billed to customers in some grandfathered localities;
- Local cable television franchise fees;
- Local Video Programming Excise Tax on cable television services; and
- State and local right-of-way fees on landline telephone service.

### Efforts to Restructure Communications Taxes

Based upon a recommendation of the Joint Subcommittee Studying the State and Local Taxation of the Telecommunications Industry and its Customers Pursuant to HJR 651 (2003), the General Assembly enacted House Bill 1174 (Chapter 1, 2004 Regular Session) to provide a framework for restructuring the state and local telecommunications taxes. House Bill 1174 declared the intent of the General Assembly to enact legislation in the 2005 Session replacing the current state and local telecommunications taxes and fees with a centrally administered tax on all retail telecommunications services and a uniform statewide 911 tax and fee. A working group composed of representatives of the communications industry and local governments has been working to restructure the communications tax structure.

### Proposal

This bill would require the Auditor of Public Accounts (“APA”) to determine the amount of revenues received by every locality included in the APA’s Comprehensive Revenue Report for Fiscal Year 2005, for the following local taxes collected by communications services providers:

- Consumer Utility Tax on landline and wireless telephone service;

- E-911 tax on landline telephone service;
- The portion of the local Business, Professional, and Occupational License (BPOL) tax on public service companies exceeding .5% currently billed to customers in some grandfathered localities;
- Cable television franchise fees; and
- Video Programming Excise Tax on cable television services.

The APA would be required to report its findings on a tax by tax basis to the chairmen of the House and Senate Finance Committees and the Department of Taxation no later than December 1, 2005.

This bill would assist the working group composed of representatives of the communications industry and local governments in their efforts to restructure the communications tax structure.

cc : Secretary of Finance

Date: 3/9/2005 JEM