DEPARTMENT OF TAXATION
2007 Fiscal Impact Statement

1. **Patron** Benjamin J. Lambert III

2. **Bill Number** SB 1135
   House of Origin:
   X **Introduced**
   ____ **Substitute**
   ____ **Engrossed**

   Second House:
   ____ **In Committee**
   ____ **Substitute**
   ____ **Enrolled**

3. **Committee** Senate Finance

4. **Title** Local Telecommunications Tax: Allows Charles City County to Impose a Mobile Telecommunications Tax

5. **Summary/Purpose:**

This bill would authorize Charles City County to impose a tax on mobile telecommunications services. The new tax would be administered by TAX and would be in addition to the Communications Sales and Use Tax currently imposed on mobile telecommunications and other communications services.

The effective date of this bill is not specified.

6. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

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

8. **Fiscal implications:**

<u>Administrative Costs</u>

TAX would incur $97,200 in administrative costs in Fiscal Year 2008 to make the systems changes necessary to implement this bill.

<u>Revenue Impact</u>

This bill would have no impact on state revenues. As it is not known whether Charles City County would impose a tax on mobile telecommunications services, the impact of this bill on Charles City County is unknown.

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

Charles City County
Department of Taxation

10. Technical amendment necessary:

In order to allow TAX sufficient time to make the systems changes necessary to implement this bill, the following technical amendment is necessary:

Page 1, Line 25, After month.
Insert: 2. That the provisions of this act shall be effective January 1, 2008.

11. Other comments:

Background

2006 House Bill 568 (Acts of Assembly 2006, Chapter 780) replaced many of the state and local communications taxes and fees with a centrally administered Communications Sales and Use Tax and a uniform statewide E-911 Tax on landline telephone service beginning January 1, 2007. Additionally, House Bill 568 imposed a public rights-of-way use fee on cable television providers beginning January 1, 2007.

Under House Bill 568, revenue from the Communications Sales and Use Tax, the Landline E-911 Tax and the Cable Television Rights-of-Way Fee (the “Communications Taxes”) is collected and remitted monthly by communications services providers to TAX and deposited into a non-reverting fund known as the Communications Sales and Use Tax Trust Fund (the “Fund”). After transferring moneys from the Fund to TAX to pay for the direct costs of administering the Communications Taxes, the moneys in the Fund are allocated and distributed to localities after payment (1) to the Department of Deaf and Hard-of-Hearing to fund the telephone relay service center and (2) any franchise fee amount due to localities in accordance with any cable television franchise agreements in effect as of January 1, 2007. Each locality’s share of the net revenue is distributed as soon as practicable after the end of the month based on the locality’s share of total revenues received from the following taxes and fees in Fiscal Year 2006 from local tax rates adopted on or before January 1, 2006:

- Local consumer utility tax on landline and wireless telephone service;
- Local E-911 tax on landline telephone service;
- The portion of the local BPOL tax on public service companies exceeding .5% currently billed to customers in some grandfathered localities;
- Cable television franchise fees;
- Video programming excise tax on cable television services; and
- Consumer utility tax on cable television.

House Bill 568 required the Auditor of Public Accounts (“APA”) to determine the amount of revenues received by every locality for Fiscal Year 2006, at rates adopted on or before

January 1, 2006, for each of these taxes and fees. Local governments and service providers were required to cooperate with the APA and provide requested information.

Additionally, on an annual basis, the APA is required to collect from local governments and providers any data necessary to determine changes in (1) market area and number of customers served, (2) types of services available, (3) population, and (4) possible local reimbursement. The APA is required to make an annual report of his findings to the chairmen of the House and Senate Finance Committees no later than December 1 each year.

Proposal

This bill would authorize Charles City County to impose a tax on mobile telecommunications services at the rate of 5 percent on customers with service addresses located in the county. The tax would be collected by service providers and transmitted to TAX in the same manner as the Communications Sales and Use Tax and then distributed to Charles City County. The new tax would be in addition to the Communications Sales and Use Tax currently imposed on mobile telecommunications and other communications services. In order to give TAX sufficient time to make the systems necessary to implement the provisions of this bill, TAX is proposing an amendment to make this bill effective January 1, 2008.

Other Legislation

House Bill 1854 would base each locality's monthly distribution of the net revenues from the new Communications Sales and Use Tax on the locality's share of total statewide revenues received by localities from local communications taxes and fees in Fiscal Year 2007, instead of Fiscal Year 2006.

House Bill 2723 would provide a Communications Sales and Use Tax exemption to customers on federal military bases or installations where a franchise fee is payable to the federal government on the communications services.

House Bill 2919 and Senate Bill 1081 would include unpaid cable franchise fees when calculating each locality's share of revenues from the new Communications Sales and Use Tax and also increase the share of any locality that imposed a local communications tax for less than 12 months during Fiscal Year 2006 to estimate what would have been collected had the tax been in effect for the entire 12 months.

cc : Secretary of Finance

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