

DEPARTMENT OF TAXATION

2011 Fiscal Impact Statement

1. **Patron** Albert C. Pollard, Jr.

3. **Committee** House Finance

4. **Title** Communications Sales and Use Tax;
Distributions to Lancaster County

2. **Bill Number** HB 1941

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would increase Lancaster County's monthly distribution from the Communications Sales and Use Tax Trust Fund ("Fund") as if its pro rata distribution from the Fund in Fiscal Year 2010 had equaled Northumberland County's pro rata distribution of the Fund in Fiscal Year 2010.

Under current law, a locality may request a ruling from TAX adjusting its distribution from the Fund so long as the aggregate redistribution from all other localities does not exceed \$100,000. A locality is required to present evidence to TAX that it collected telecommunications or television cable funds in Fiscal Year 2006 from repealed local communications taxes and fees before obtaining a ruling from TAX.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No.

7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

8. **Fiscal implications:**

Administrative Costs

TAX considers implementation of this bill as routine, and does not require additional funding.

Revenue Impact

This bill would have no impact on state revenues or on the total amount of Communications Sales and Use Tax Trust Fund ("Fund") revenues distributed. This bill would allow Lancaster County to receive the same percentage of Fund revenues that would be received by Northumberland County after the re-weighting of the allocation percentages. All localities currently receiving distributions from the Fund would experience a decrease in their distributions from the Fund to account for the increase in

distribution to Lancaster County. In Fiscal Year 2010, Lancaster County received distributions of \$82,735 from the Fund, and Northumberland County received \$390,656.

9. Specific agency or political subdivisions affected:

All localities
TAX

10. Technical amendment necessary: No.

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. Localities could report to TAX any telecommunications or television cable funds collected in Fiscal Year 2006 from repealed local communications taxes and fees that were not submitted, or were incorrectly submitted, to the Auditor of Public Accounts in order to receive, or correct, monthly distributions from the Communications Sales and Use Tax Trust Fund.

Effective July 1, 2010, House Bill 765 (Chapter 365), House Bill 1090 (Chapter 285) and Senate Bill 381 (Chapter 385) allow a locality to request a ruling from TAX adjusting its distribution from the Communications Sales and Use Tax Trust Fund ("Fund") so long as the aggregate redistribution from all other localities does not exceed \$100,000. A locality is required to present evidence to TAX that it collected telecommunications or television cable funds in Fiscal Year 2006 from repealed local communications taxes and fees before obtaining a ruling from TAX. A locality seeking an increase in its distribution that exceeds \$100,000 must obtain a law change.

Proposal

This bill would allow Lancaster County to receive an additional monthly distribution from the Communications Sales and Use Tax Trust Fund ("Fund") as if its pro rata distribution from the Fund in Fiscal Year 2010 had equaled Northumberland County's pro rata distribution of the Fund in Fiscal Year 2010.

The effective date of this bill is not specified.

Similar Legislation

House Bill 1284 would provide that the prepaid commercial mobile radio service for the purposes for the E-911 fees and prepaid calling service for the purposes of the Communications Sales and Use Tax may include service sold in a predetermined unit measured in units of time, not to exceed one month.

cc : Secretary of Finance

Date: 1/18/2011 AM
DLAS File Name HB1941F161