

State Corporation Commission 2005 Fiscal Impact Statement

1. Bill Number HB1804

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron Marshall, R.G.

3. Committee Commerce and Labor

4. Title Voice-over-Internet Protocol service.

5. Summary/Purpose:

Voice-over-Internet Protocol (VoIP) service. Eliminates any jurisdiction of the State Corporation Commission (Commission) to regulate Voice-over-Internet Protocol service. Voice-over-Internet Protocol service is excluded from the scope of the definitions of telephone service, telecommunications service, local exchange telephone service, and interexchange telephone service.

6. Fiscal Impact Estimates are not available. See item 8.

7. Budget amendment necessary: Unknown.

8. Fiscal implications:

The bill as amended, which, among other things, clarifies the definition of VoIP services as requiring a broadband connection, greatly reduces the current potential fiscal impact. While a detailed analysis of the fiscal implications would be necessary, we can still make general observations regarding the fiscal impact of this legislation as amended. This revised analysis assumes that the Commission's lack of jurisdiction over VoIP services would extend to taxing jurisdiction as well. For example, many VoIP providers neither collect nor remit most taxes or fees.

While only a small percentage of broadband customers subscribe to VoIP today, it is estimated by industry sources that some 13 percent of telephone customers will use VoIP by 2008. Assuming a more conservative 10 percent subscription rate, or 500,000 Virginia VoIP customers by 2008, the fiscal impact is estimated in the following table:

2008 Fiscal Impact Estimate

\$ 525,000	Special Regulatory Tax
880,000	TRS
10,000,000	911
3,074,400	Right of Way
<u>24,500,000</u>	Consumer Utility Tax

\$ 38,979,400 Total

There may be other fiscal implications associated with other taxes and fees. In addition, the Division of Communications only evaluated the fiscal impact associated with local exchange telephone service. Interexchange telephone service could also be affected, which would require further analysis.

9. Specific agency or political subdivisions affected: State Corporation Commission and its Division of Communications, state agencies and state government entities, Local Governments (counties, cities and towns), 911 Centers, Telecommunications Relay Service

10. Technical amendment necessary: No

11. Other comments: None

Date: 02/07/05 SB/WI

Cc: Secretary of Finance
Secretary of Commerce and Labor