

COMMUNICATIONS SERVICES TAX WORKING GROUP
POTENTIAL OPTIONS
October 16, 2012

Note: This is a high level summary. Please refer to individual submissions for complete information.

I. Options to Streamline the Administrative System

A. Rate Structure

1. Statewide Rate with Distribution Formula

- a. Create single statewide CST rate with distribution formula to local governments (Dudley, Lindsey)
- b. Create structure in which rates are uniform at state and local level regardless of technology (Smith)
- c. Create Local Statewide CST rate with distribution formula to local governments (DOR)
- d. Create Local CST rate at county level with distribution formula to local governments (DOR)

2. Other

- a. Eliminate CST and apply sales and use tax (Lindsey, Telecom Industry)
- b. Substitute an alternative revenue-neutral revenue source (Fox)
- c. Revise tax structure to impose sales tax on internet retailers (Resnick)
- d. Maintain CST “as is” (Lindsey)
- e. Return to system prior to creation of CST (Lindsey)

B. Transparency

1. Require customer bills to indicate whether a tax or fee is government imposed (Resnick)
2. Specify the consequences that will result when customers are not provided with a breakdown of taxes (DOR)
3. Allow providers to further breakdown the Florida Communications Services Tax into state and gross receipts tax (DOR)
4. Create a requirement that, when requested by customers or DOR, providers must provide a breakdown of bundled services (DOR)
5. Create an incentive for providers to notify customers and DOR of the breakdown of bundled services (DOR)
6. Authorize additional information sharing for DOR to share provider information with customers (DOR)
7. Clarify use tax owed by customers on bundled services (DOR)

C. Records

1. Reverse 2012 law changes on books and records when determining “sales price” (Fox)
2. Clarify records that must be maintained (DOR)
3. Require searchable records for audit purposes (DOR)

D. Audits

1. Provide additional resources for DOR to increase audit capacity (Fox)
2. Mandate more audits and contract for external auditing services (Resnick)

E. Refunds

- Clarify statutes on distributions to local governments when there are large refunds (DOR)

II. Options to Remove Competitive Advantages within the Industry as it relates to the State's Tax Structure without Unduly Reducing Revenue to Local Government

A. Tax Base

1. Broaden the Base

- a. Tax like services the same regardless of technology or service provider (Fox, Smith)
- b. To extent base is expanded, reduce rates (Smith)
- c. Repeal CST and broaden sales and use tax base (Lindsey, Telecom Industry)
- d. Include digital goods in sales and use tax base for goods that have been sold in tangible form (DOR)
- e. Clarify definition of video service to include payments for licensure of content (DOR)

2. Residential Exemption

- a. Eliminate residential exemption (Dudley, Resnick, Fox)
- b. Clarify residential exemption only applies to landlines (DOR)

3. Franchise and Permit Fees

- a. Unbundle franchise and permit fees from CST for local administration (Fox)
- b. Restore local franchise and permit fees, without reducing CST, for local administration (Resnick)
- c. Consider whether localities should be entitled to payment for actual and direct use of rights of ways (Smith)

B. Prepaid Communication Service

1. Amend definition of prepaid wireless communication services

- If CST not eliminated, modernize the definition to encompass current offerings (Lindsey, Telecom Industry)

2. Alternative methods of taxation

- a. Create single statewide flat tax (Lindsey, DOR)
- b. Impose surcharge on prepaid wireless communication service at time of purchase and obtain customer data (Resnick)
- c. Apply sales and use tax and a gross receipts tax (DOR)
- d. Consider gross receipts tax on provider with offset if CST is collected (DOR)
- e. Clarify that CST applies to Communications Services (Lindsey)
- f. Exempt retailers from collecting CST and collect sales and use tax (Florida Retail Federation)
- g. *10/17/12: See additional options identified by Ms. Fox that were not initially identified in this summary due to oversight*

III. Other

- A. Convene a working group to draft legislation (Fox)
- B. Recommend the Legislature adopt a policy concerning local governments (Resnick)

Communications Services Tax Working Group

Options for Consideration

Submitted by:

Florida Association of Counties

Florida Association of Counties

Options for Consideration by the Florida Communication Services Tax Working Group

- I. The CST working group should present an option that this group, or similar group, be reconvened with the specific direction/authority to provide consensus based recommended legislation.
- II. As a result of their September 2012 policy conference, the members of the Florida Association of Counties have tentatively adopted the following policy statement:

The Florida Association of Counties **SUPPORTS** amending and/or revising current law in a manner that is:

- 1) Revenue neutral with regards to current revenue levels and current existing capacity for revenue generation by local governments (unutilized rate);
- 2) Simplifies administration and collection of the current tax;
- 3) Provides for a broad and equitable tax base;
- 4) Provides for the enhanced stability and reliability as an important revenue source for local government; and
- 5) Provides for the opportunity for market-based growth