



# Leon County

## Board of County Commissioners

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Commissioners

October 24, 2012

BILL PROCTOR  
District 1

Ms. Andrea J. Moreland  
Director, Legislative and Cabinet Services  
Florida Department of Revenue  
Post Office Box 5906  
Tallahassee, FL 32399-0100

JANE G. SAULS  
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At-Large

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At-Large

VINCENT S. LONG  
County Administrator

HERBERT W.A. THIELE  
County Attorney

Dear Ms. Moreland:

In response to Chairman Stranburg's request that members of the Communications Services Tax Workgroup submit input for consideration, I respectfully waited for the Board to approve their 2013 legislative priorities. Included in the Board's priorities is a policy statement on the Communications Services Tax (CST). This position is similar to the option presented by the Florida Association Counties for the Workgroup's consideration. In addition, Leon County fully supports the options provided by the Florida Association Counties, including "that this group, or similar group, be reconvened with the specific direction to provide consensus based recommended legislation."

On October 23, 2012, the Board approved the following legislative priority for the 2013 session:

*"Support legislation that is revenue neutral; simplifies administration and collection of the current tax; enhances the stability and reliability as an important revenue source for local government; and provides for the opportunity for market-based growth."*

This priority reflects the need to enhance the stability and reliability of the CST given that it is an important revenue source for local governments. The County has seen revenues from the CST decline by an average of 5.4% over the past six fiscal years. Curbing this decline to a more stable and reliable revenue source helps both the State and local governments.

I would also like to stress the importance of focusing our recommendations to not only guarantee that the CST is more stable revenue source in the future but that it eliminates the competitive advantages within the industry (such as the bundling of services and the exemption of prepaid wireless services). This is imperative to ensure the CST has a broad and equitable tax base and provides an opportunity for market-based growth.

I would appreciate you sharing Leon County's position with the members of the Communications Services Tax Workgroup. If you have any questions, please let me know. As always, thank you for your assistance.

Sincerely,

Alan Rosenzweig  
Deputy County Administrator

Encl: 2013 Legislative Priority – Communications Service Tax

## 2013 State Legislative Session Legislative Proposal

Department / Division: Special Projects/Intergovernmental Affairs

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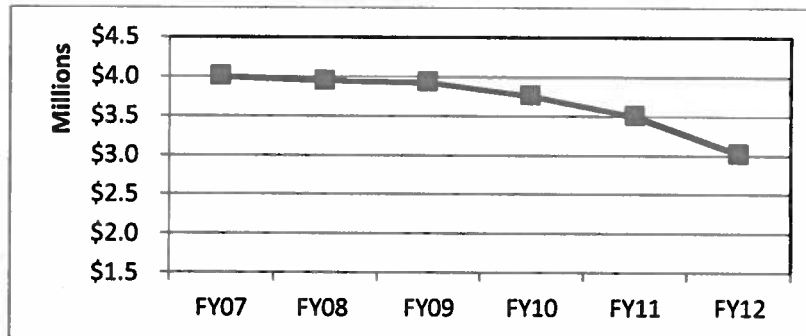
Topic: Communications Service Tax

### Problem/Need:

The Communication Service Tax (CST) is a tax on the retail sales of communications services, which include voice, data, audio, video and any other information including cable (video) services. Internet access, as defined by the Internet Tax Freedom Act, email services, and prepaid calling arrangements (cards and cellphones) are not included and account for approximately 25% to 40% of all wireless phones. The proceeds from the tax are transferred to county and municipal governments, the Public Education Capital Outlay and Debt Service Trust Fund, and the state's General Revenue Fund.

A county or municipality may choose to levy the CST by ordinance. Currently, Leon County levies a CST 6.02% within the unincorporated areas of the County. The City of Tallahassee's rate is applied to those individuals who live within the city limits and is levied at 6.90%. Over the past six fiscal years, the revenues from the CST have declined by an average of 5.4%. The chart below illustrates the downward trend of this revenue source.

**Graph #1: Leon County Communications Service Tax Revenue**



Currently, the Florida Department of Revenue (DOR) administers the statewide collection of the state and local tax payments. Dealers/retailers who collect local communications services tax must notify the DOR of the method employed to accurately assign addresses to the appropriate taxing jurisdiction. The DOR maintains a database that provides the local taxing jurisdiction for all addresses in Florida. The database contains county and municipal names for every address and is based on information provided by the local taxing jurisdiction and updated at least once every six months. The amount of revenue collected is dependent on the jurisdiction's local CST rate. A county government's local CST is charged to those billable customers residing within the unincorporated area. A municipal government's local CST is charged to those billable customers residing within the incorporated area. There are currently 122 different local CST rates.

During the 2012 session, the Legislature passed a bill that made changes to definitions of the CST, and creates a workgroup to study the tax to make recommendations on future communications tax policies. The state levies a 6.65% communications services tax on items such as phone service and local governments apply a wide range of additional taxes that range from 0.1% to 7%. A key provision in HB 809 provided a broad CST exemption for certain services and hardware that are not separately stated on a customer's bill. For example, phone/cable service, in "bundles" with digital items such as cloud data storage or home security, would not have to pay communications taxes.

Furthermore, the legislation created the Communications Services Tax Working Group within the Department of Revenue to review a series of policies regarding the tax including: review of national and state tax policies relating to the communications industry; review the fairness of the state's communications tax laws and the administrative burdens it contains, including whether the applicability of the tax laws is reasonably clear to communications services providers, retailers, customers, local government entities and state administrators; identify options for streamlining the administrative system. The Workgroup consists of the following members:

- Marshall Stranburg, Chair Interim Executive Director, Florida Department of Revenue
- Charlie Dudley, General Counsel, Florida Cable Telecommunications Association
- Sharon R. Fox, Tax Revenue Coordinator, City of Tampa
- Kathleen Kittrick, Director of State Government Affairs, Verizon
- Gary S. Lindsey, Director of External Tax Policy, AT&T
- The Honorable Gary Resnick, Mayor, City of Wilton Manors
- Alan Rosenzweig, Deputy County Administrator, Leon County
- Brian D. Smith, Director of Transactional Taxes, the DirecTV GROUP, Inc.
- Davin J. Suggs, Senior Legislative Advocate, Florida Association of Counties

The two priorities of the Workgroup is to 1) identify options for streamlining the administrative system and 2) identify options that remove competitive advantages within the industry as it relates to the state's tax structure without unduly reducing revenue to local governments. The Workgroup's recommendations must be submitted to the Governor, the President of the Senate, and the Speaker of the House of Representatives by February 1, 2013.

**Recommended County Position, Recommended Change in Florida Statutes:**

Support legislation that is revenue neutral; simplifies administration and collection of the current tax; enhances the stability and reliability as an important revenue source for local government; and provides for the opportunity for market-based growth.