

TAX: Communication Services Tax
 ISSUE: SUBSTITUTE COMMUNICATION SYSTEMS
 BILL NUMBER(S): SB2302/HB735
 SPONSOR(S): SEN. HARIDOPOLOS / REP. STARGEL
 MONTH/YEAR COLLECTION IMPACT BEGINS: upon becoming law
 DATE OF ANALYSIS: 2/27/2004

SECTION 1: NARRATIVE

a. Current Law:

Chapter 202 F.S. imposes a communication services tax on the actual cost of operating a substitute communications system in the State of Florida.

b. Proposed Change:

Bill repeals communication services tax on substitute communication system.

SECTION 2: DESCRIPTION OF DATA & SOURCES

1. Internal DOR collection data
 - 2002 CST Collections for substitute communication systems from electric utilities: \$323,144
2. Corporate Websites
 - Households served by electric utilities paying CST on substitute communication systems: 880,000
3. Florida Economic Estimating Conference Feb 2004
 - Florida Households 04/05: 7.020 million

SECTION 3: ASSUMPTIONS & RATIONALE

1. The definition of a "substitute communication system" is narrowly interpreted as to apply to radio telephone systems used solely for internal communications with employees in the field.
2. CST collections for substitute communication systems operated by **electric utilities** average \$365 per 1,000 households served .
3. Operating cost do not change with small changes in the number of households served.
4. Tax liability for substitute communication systems operated by **gas and water utilities** not providing also electric service is estimated to range between 15% and 30% of the tax liability for such systems by electric utilities.
5. SFY2003/04 impact is grown at the rate implied in the number of Florida households (1.9%)
6. Liability is split 55/20/25 between sales/gross receipts/local sources.
7. The high impact assumes that substitute communication systems operated by theme parks and amusement parks incur operating costs equal to 50% of the total operating costs of such systems employed by utility companies.

SECTION 4: METHODOLOGY

LOW = \$365 * 7,020 * 115% = \$2.947m
 MEDIUM = \$365 * 7,020 * 130% = \$3.331m
 HIGH = \$3.331m * 150% = \$4.997m

SECTION 5: IMPACT SUMMARY (DETAILS ATTACHED)

State Impact - All Funds	FY 2004-2005 Annualized	FY 2004-2005 Cash	FY 2005-2006 Cash
High	(\$4.997m)	(\$4.997m)	(\$4.997m)
Middle	(\$3.331m)	(\$3.331m)	(\$3.331m)
Low	(\$2.947m)	(\$2.947m)	(\$2.947m)

Consensus Estimate Adopted: 3/19/04	FY 2004-2005 Annualized	FY 2004-2005 Cash	FY 2005-2006 Cash
General Revenue	(*)	(.2)	(.2)
State Trust	(*)	(Insignificant)	(Insignificant)
Total State Impact	(**)	(.2)	(.2)
Local Tax Impact	(**)	(.1)	(.1)
Total Impact	(**)	(.3)	(.3)