Revenue Estimating Conference
Gross Receipts Tax/Communications Services Tax
February 20, 2025
Executive Summary

The Revenue Estimating Conference met on February 20, 2025, to adopt a new forecast for the Gross Receipts Tax and the State Sales Tax on Communications Services. Through January 2025, Gross Receipts Tax collections from all components (derived from separate taxes on electricity, gas and communications) came in $6.3 million (0.8%) above the forecasted level. Collections from the separate State Sales Tax on Communications were $4.6 million (-1.2%) below the forecasted level. Compared to the July 2024 conference results, the new forecast for the Gross Receipts Tax has an increase in FY 2024-25 followed by material increases throughout the entire 10-year horizon with the largest revision in FY 2025-26. The changes in the Gross Receipts Tax feed directly into the dollars available for PECO appropriations. The highlights for both Gross Receipts and the State Tax Component for Communications Services are detailed below.

	Gross Receipts Tax All Sources	Diff from Prior Forecast	Growth Rate Forecast		Communications Services Tax-State Tax Component*	Diff from Prior Forecast	Growth Rate Forecast
FY 24-25	1387.53	24.11	-1.20%		688.17	-2.08	9.67%
FY 25-26	1417.20	101.73	2.14%		708.83	-2.19	3.00%
FY 26-27	1407.02	87.44	-0.72%		724.58	-2.28	2.22%
FY 27-28	1400.09	64.00	-0.49%		736.53	-2.35	1.65%
FY 28-29	1396.89	56.39	-0.23%		749.92	-2.44	1.82%
FY 29-30	1396.67	54.82	-0.02%		763.05	-2.51	1.75%
FY 30-31	1398.47	53.12	0.13%		773.95	-2.58	1.43%
FY 31-32	1403.74	46.48	0.38%		784.79	-2.64	1.40%
FY 32-33	1409.68	39.47	0.42%		795.73	-2.71	1.39%
FY 33-34	1415.35	33.00	0.40%		806.17	-2.77	1.31%

***The CST State Tax Component Includes Direct-to-Home Satellite**

Gross Receipts Tax on Utilities: Consumption levels in the new forecast for all three components (residential, commercial, and industrial) are slightly higher due to the stronger base in the revised FY 2023-24 data and year-to-date experience in FY 2024-25. In addition, prices for the three components are higher to reflect approved compensatory price increases, most notably in FY 2025-26. The remainder of each series moves toward previously forecasted levels but stays above the July forecast for all years. The resulting collections see an increase over the previous forecast in all years.

For natural gas utilities, residential prices are higher than previously projected from FY 2025-26 through FY 2028-29 before returning to the prior forecast. Conversely, commercial prices are lower than previously projected for FY 2026-27 and FY 2027-28 but are otherwise the same. Consumption for both series was higher than July's forecast for the first half of the current year. As a result, consumption forecasts for residential and commercial have been revised upward through FY 2026-27 but return to the prior levels thereafter.

State Communications Services Tax, Including Direct-to-Home Satellite Service (CST): The overall forecast relies on generating separate growth rates for the cable, wireless, landline, other services, and direct-to-home satellite tax bases. Given the previous forecast's accuracy over the first six months of the fiscal year, the new forecast makes relatively minor adjustments based on the slight revisions to the previous year's collections.

The primary positive driver of growth in CST has recently been the Other category. Other, which includes the increasingly popular streaming entertainment options, has shown eight years of double-digit growth due to new market entrants and continued content expansion. For FY 2023-24, the growth rate for Other was slightly lower than expected at 10.70%, but this was sufficient to maintain its robust growth path. While elevated growth is anticipated again this year, growth begins to slow in FY 2025-26 as the rapid-growth phase of the industry starts to ebb—declining from 9.36% growth in FY 2024-25 to 2.63% in the last year of the forecast period.

Historically, the Wireless and Landline forecasts countered the positive growth seen in Cable and Other; however, Cable has now experienced negative growth for six consecutive years. The new Cable forecast maintains the steady, slow decline of the previous forecast throughout. Collections from the Wireless category have also been declining for most recent years (FY 2022-23 was an exception). In large part, this has been due to the unbundling of communication services tied to cellphone plans. The adopted forecast for Wireless remains relatively flat in FY 2024-25 before resuming the decline of the previous forecast, averaging -2.67% per year. In contrast, Landline is declining due to dated technology that is primarily associated with a particular demographic group and smaller businesses. Annual declines in the double digits began in FY 2016-17 and continued through FY 2023-24. Beginning this year, the downward spiral continues but drops into the single digits, becoming a more gradual decline with an annual average of about -2.15% beginning in FY 2025-26. Satellite, or DHSS, experienced strong negative growth over the last six years partially due to the expiring contracts for exclusive content. The growth path of the previous forecast for DHSS has been kept though with a slightly lower initial level. This maintains the declining trend through FY 2025-26, before a period of slow growth begins that peaks at 1.10% in FY 2028-29. Growth is then expected to slip to 1.04% in the last year of the forecast horizon.

Gross Receipts CST is derived from two different tax rates plus a portion of direct-to-home satellite collections. First, a tax rate of 2.37% is applied to the cable, wireless, landline and miscellaneous services tax bases. Second, an additional tax rate of 0.15% is applied to the same tax bases, excluding landlines in residential households. The dollars generated by both of these tax rates, plus 20.7% of total direct-to-home satellite collections, comprise total Gross Receipts CST collections. Sales CST Collections are generated by applying a tax rate of 4.92% against the cable, wireless, landline and miscellaneous services tax bases, coupled with 44.32% of total direct-to-home satellite collections. As part of the calculation, the landline tax base is reduced by the residential household telephone exemption for Sales Tax CST. Direct-to-home satellite service is taxed at an 11.44% rate. The tax revenue is distributed between Gross Receipts CST, Sales CST, and local governments.

Local Communications Service Tax: The local CST forecast applies an average local CST tax rate of 5.23% to the four major bases (cable, wireless, landline and miscellaneous services). Like the CST forecasts for Gross Receipts and Sales, the local forecast has little expected growth because of the reduction in the wireless base.