

TAXES ON COMMUNICATIONS SERVICES

In 2000, the Florida legislature made a sweeping overhaul of the various State and local fees and taxes imposed on communications services. The Legislature declared its intent that all communications services be taxed at the same rate and that taxes and fees be competitively neutral within a jurisdiction and among all types of communications services providers.

The law established that effective October 1, 2001 a single statewide tax would replace the various State taxes on communications services and that a single local communications services tax would replace the local cable franchise fees, utility (telephone and cell phone) taxes and permit fees on such services.

The intent was to address communications services provider concerns regarding the administrative complexity of complying with varying tax rates based on the type of communication service (i.e., telephone franchise fees, telephone utility taxes, cable TV franchise fees, etc.) and the number of jurisdictions (every county and city in the State) to which payments and reports were required to be sent quarterly. Unincorporated Brevard County only assessed cable TV franchise fees (use of its rights-of-way) on a monthly basis. There were no monthly fees/taxes assessed for telephone and other communication services that changed with the State Department of Revenue taking charge of all fees/taxes October 1, 2001.

In response, the State developed a uniform reporting and payment system for the collection of these fees and taxes. All the payments are to be sent to the State by the provider, which will then remit the proper portion to the respective jurisdiction. The State established a uniform rate structure to make the services competitively neutral, so that taxes and fees on certain types of communications services did not put those companies at a competitive disadvantage as compared to new forms of communications services.

The effect on consumers is expected to be minimal as some types of services will be taxed at lower rates than in the past and some services will be taxed at higher rates, or taxed for the first time.

The State adopted a statewide rate of 9.17% to replace the various State taxes previously imposed on communications services. The State calculated conversion rates for local governments based on revenue data collected from the local governments and the service providers. This local conversion rate is unique to each jurisdiction and applies uniformly to all providers of communications services within that jurisdiction. It is intended to generate sufficient revenue to replace the local revenues received previously from franchise fees.

Pursuant to State Statute, unincorporated Brevard County adopted a Communications Services tax rate of 1.64% that was effective October 1, 2001.

The rate will be scrutinized during the summer of 2002 and may be revised by the Department of Revenue effective October 1, 2002. The rate may increase or decrease dependent on a revenue-neutral position from revenues received over 2002.

The exception to these tax rates is direct broadcast (satellite TV) providers. Because federal law prohibits local governments from taxing these services, the State adopted a statewide rate of 13.7% (sales tax) on these services to make the effect of the tax competitively neutral with regard to services. A portion of these collections will be returned to local governments along with the sales tax distribution provided by the State.

As a result of the changes, a cable TV subscriber, phone or a cell phone customer in unincorporated Brevard County will pay a tax of 10.81%(State = 9.17%, Local = 1.64%) of his/her monthly bill. A satellite direct-to-home TV customer will pay a tax of 13.17% as established by the State. No tax has been imposed on Internet access service.

For further information, please contact the Florida Department of Revenue at:

Florida Department of Revenue
Communications Services Tax Rates
Florida Statutes - Chapter 202

Tax Information Services
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