

Telecommunications Sales Tax Rates and Taxability

Welcome to the Telecommunications Database

This bulletin provides important information about the July 2023 release of Telecommunications Rates and Taxability. Please review this bulletin carefully. If you have any questions or require more information, please call 1-800-739-9998. You can also submit a ticket at <http://support.cch.com/ticket> or use <http://support.cch.com/chat/salestax>.

Updates to Current Telecommunications Database - System Changes Effective July 2023

Rate Adjustment for the Florida 911 Surcharge

Among the taxes covered in our database is the Florida 911 Surcharge (as captured by Tax Type 06/80). Prior to this month's release, our database reflected that the rate for this surcharge was equal to 40 cents per month per consumer access line throughout the state with the exception of three counties where the rate differed. The counties featuring a special rate were as follows:

- Duval County (44 cents)
- Lee County (44 cents)
- Volusia County (41 cents)

The existence of these special rates was attributable to a statutory provision that recited as follows:

"The rate of the fee may not exceed 50 cents per month for each service identifier.

Effective January 1, 2015, the fee shall be 40 cents per month for each service identifier. The fee shall apply uniformly and be imposed throughout the state, **except** for those counties that, before July 1, 2007, had adopted an ordinance or resolution establishing a fee less than 50 cents per month per access line. In those counties the fee established by ordinance may be changed only to the uniform statewide rate no sooner than 30 days after notification is made by the county's board of county commissioners to the board."¹

However, as a result of state legislation enacted into law in 2023², the three counties listed above will no longer feature a rate that differs from the rest of the state. Instead, as of July 1, 2023, the rate for the Florida 911 Surcharge will now be imposed at a uniform level of 40 cents per month for the entire state.

To quote the new version of the governing statutory provision:

"The rate of the fee may not exceed 50 cents per month for each service identifier. Effective January 1, 2015, the fee shall be 40 cents per month for each service identifier. The fee shall apply uniformly and be imposed throughout the state."³

¹ Florida Statutes § 365.172 (8)(f) [prior to July 1, 2023].

² Florida Senate Bill 1418 (2023).

³ Florida Statutes § 365.172 (8)(f) [effective July 1, 2023].

To quote the open letter published by the Florida Department of Management Services announcing this change:

“The modifications to section 365.172(8)(f), Florida Statutes, approved during the 2023 Legislative session, become effective July 1, 2023. The excerpt below requires the 911 fee for Duval, Lee, and Volusia counties to be reduced to 40 cents, and all collections after that date must reflect the new rate.”⁴

Accordingly, effective with this monthly product release, we are hereby updating our database to reflect that effective July 1, 2023, the Florida 911 Surcharge (as captured by Tax Type 06/80) will now be imposed at a uniform rate of 40 cents per access line per month throughout the entire state.

Reconfiguration of the Nevada 988 Surcharge

Among the taxes covered in our database is the Nevada 988 Surcharge (as captured by Tax Type 70/80). As originally entered, the Effective Date for this surcharge was listed as June 7, 2023.

However, pursuant to enacted legislation⁵, the initial regulations governing this surcharge have now been repealed and the Effective Date by which carriers are required to begin complying with this new surcharge has now been postponed to July 9, 2023.

Additionally, based upon our interpretation of those same draft regulations, it was our understanding that for purposes of basic local exchange service (as captured by Group 5002) as well as bundled phone plans - i.e., plans that offer unlimited local plus domestic calling (as captured by Group 5034), the new 988 Surcharge was only to be collected from residential as opposed to commercial users.

However, pursuant to that same enacted legislation, it is now our understanding that the new 988 Surcharge applies equally to both residential and commercial users, regardless of the underlying platform (i.e., either landline, CMRS or VOIP service).

To quote the official Notice establishing this new set of facts:

“As stated in an earlier email, we wanted to bring you up to speed on the latest regarding Senate Bill 237 (SB 237) and its impact on 988 fee payments. This new information overrides any previous updates we shared. Temporary regulations were signed on March 7, 2023, stating that fee collection would begin on June 7, 2023, with initial payments due by July 15, 2023. However, SB237, signed by Governor Lombardo on June 9, 2023, rendered those regulations **invalid**. Under SB237, fee collection will now start on **July 9, 2023**, and payment must be remitted to the Division of Public and Behavioral Health (DPBH) by the end of August 2023. Please update your data collection via this link <https://forms.office.com/g/D7Mp5F45CZ> and any addition information can be found on our website <https://dpbh.nv.gov/Programs/CRS/CrisisResponseSystemHome/>.”⁶

Meanwhile, the governing statute (as amended by Senate Bill 237) now provides as follows:

“1. The State Board of Health shall impose a surcharge of 35 cents for each line on:

(a) Each access line of each customer of a company that provides **commercial mobile communication services** or **IP-enabled voice services** in this State in accordance with 47 U.S.C. § 251a; and

(b) Each **access line** or **trunk line** of each customer to the local exchange of any telecommunications provider providing those lines in this State.

2. The companies and providers described in subsection 1 shall:

(a) Collect the surcharge described in subsection 1 from their customers; and

(b) Transfer the money collected to the Division.”⁷

In turn, the highlighted terms referenced in Paragraph 1(a) are defined as follows:

⁴ Notice to Local Exchange Carriers dated June 1, 2023.

⁵ Nevada Senate Bill 237 (2023).

⁶ E-Mail message from Nicole Maypark, Administrative Assistant III – Nevada Department of Health and Human Services.

⁷ Nevada Revised Statutes § 433.708.

“(a) **“Access line”** means any voice connection between a customer and a carrier that provides the customer with access to telecommunication in this State and allows a customer to access the hotline described in NRS 433.704 by dialing the digits 9-8-8.

(b) **“Commercial mobile communication service”** means commercial mobile service, as that term is defined in 47 U.S.C. § 251a, which is provided to a customer within this State as determined by the place of primary use, as that term is defined in 4 U.S.C. § 124.

(c) **“IP-enabled voice service”** has the meaning ascribed to it in 47 U.S.C. § 251a.

(d) **“Trunk line”** means a line which provides a channel between of a switchboard owned by a customer a telecommunications provider and the local exchange of the telecommunications provider.”⁸

Based upon the fact that the statutory definition of the term “access line” (unlike the original draft regulations) does not draw a distinction between residential versus commercial customers, we are hereby updating our database to reflect that for purposes of landline phone service (as captured by Groups 5002 & 5034), the Nevada 988 Surcharge applies equally to both residential and commercial users.

Finally, we are also updating our database to reflect that the revised Effective Date for the Nevada 988 Surcharge is now July 9, 2023, in compliance with the Notice sent out by the Nevada Department of Health and Human Services.

Reconfiguration of the Local License Tax in Oronogo, Missouri

Among the taxes covered in our database is the Oronogo, Missouri Local License Tax. Prior to this month’s release, this local tax was captured in our database via Tax Type 38/80 reflecting our understanding that the tax base associated with this tax was limited to Intrastate landline telecommunications service (thereby excluding mobile and Interstate telecommunications service).

However, pursuant to our ongoing process of legislative review, it is now our fresh understanding that the Local License Tax imposed by the city of Oronogo actually falls into the category of a modernized local license tax whose tax base applies to both Intrastate and Interstate telecommunications service as well as both landline and mobile telecommunications service (as captured by Tax Type 37/80).

To quote the relevant provisions of the city’s code which demonstrate this more inclusive tax base:

“The gross receipts tax imposed upon **telephone and telecommunication corporations**, including but not limited to **cable and satellite video and internet companies**, pursuant to Section **605.170**, License Fees, Paragraph 28(a) “Telephone / Telecommunications / Cable / Satellite” of Chapter **605**, Licenses and Occupational Taxes, Title VI Business and Occupation shall be at the rate of 5% of **gross receipts**.”⁹

Meanwhile, a separate provision in the city’s code elaborates upon the scope of “gross receipts” subject to tax:

“The fees for licenses required under this Chapter shall be established from time to time by ordinance of the Board of Aldermen and on file in the office of the City Clerk. **Gross receipts** associated with the fees for licenses as determined by a percentage of **gross receipts** shall mean the following: ... monies collected and received by the licensee from **the provider of telephone/telecommunications/cable/satellite services** to residential, commercial and industrial customers within the present and future boundaries of the City of Oronogo before any deductions are made therefrom by the licensee for any expenses, costs or charges of any kind.”¹⁰

Based upon the text of the legislative provisions quoted above, we are hereby reconfiguring the Local License Tax in the city of Oronogo, Missouri as Tax Type 37/80 rather than Tax Type 38/00 effective with this July release, the effect of which will be to expand the tax base for these taxes to now include both mobile and Interstate telecommunications service.

Please note that we are also changing the name of this tax to “Gross Receipts Tax” in accordance with the designation of this tax in Chapter 30, Article V of the city’s Municipal Code.

Reconfiguration of the Webster County, West Virginia 911 Surcharge

⁸ Nevada Revised Statutes § 433.708[8].

⁹ Oronogo, Missouri Municipal Code § 130.150.

¹⁰ Oronogo, Missouri Municipal Code § 605.170[1].

Among the taxes covered in our database is the Webster County, West Virginia 911 Surcharge. Prior to this month's release, our database reflected that the standard rate for this surcharge was equal to \$2.60 per access line (as captured by Tax Type 33/00).

In addition, Centrex lines (as captured by Group & Item code 5002/012) were subject to the Webster County, West Virginia 911 Surcharge at a tiered rate whereby users were required to pay \$2.60 for the first 8 Centrex lines (Tier 1) as captured by Tax Type 33/00 and 32 cents per line above this initial level.

However, pursuant to local legislation adopted by the Webster County Commission on May 3, 2023, this rate structure is now being revised, effective July 1, 2023.

To quote the ordinance establishing this new set of rates:

"A fee of **\$4.50** per month shall be imposed per local or competitive local exchange service line for residential customers."¹¹

"A fee of **\$6.50** per month shall be imposed per local or competitive local exchange service line for business customers."¹²

"A fee of **\$3.00** shall be imposed on all Centrex customer lines of service."¹³

"A fee of **\$25.00** shall be imposed on all ISDN PRI lines of service."¹⁴

The legislative provisions quoted above will now be captured by the following Tax Type & Tax Cat codes, effective July 1, 2023:

* The fee of **\$4.50** per month levied upon local or competitive local exchange service line for residential customers shall be captured by Tax Type & Tax Cat **33/04**.

* The fee of **\$6.50** per month levied upon local or competitive local exchange service line for business customers shall be captured by Tax Type & Tax Cat **33/03**.

*The fee of **\$3.00** levied upon Centrex customer lines of service customers shall be captured by Tax Type & Tax Cat **33/35**.

*The fee of **\$25.00** levied upon all ISDN PRI lines of service shall be captured by Tax Type & Tax Cat **33/56** shall be captured by Tax Type & Tax Cat **33/56** whereby the surcharge is implicitly imposed upon the entire trunk (as captured by Unit Type code '20' = Per Trunk) rather than each individual outgoing access line.

Reconfiguration of the Allen Parish, Louisiana 911 Surcharge

Among the taxes covered in our database is the Allen Parish, Louisiana 911 Surcharge. Prior to this month's release, our database reflected that the rate for this surcharge, as applied to VOIP service, was equal to the same rate as is currently imposed upon landline users, namely,

¹¹ Ordinance Under Chapters 7 and 24 of the West Virginia Code; Section 3[c].

¹² Ordinance Under Chapters 7 and 24 of the West Virginia Code; Section 3[d].

¹³ Ordinance Under Chapters 7 and 24 of the West Virginia Code; Section 3[e].

¹⁴ Ordinance Under Chapters 7 and 24 of the West Virginia Code; Section 3[f].

\$0.87 per access line for residential users (as captured by Tax Type 33/04) and \$1.50 per access line for commercial users (as captured by Tax Type 33/03).

However, pursuant to correspondence received from the parish via one of our business partners, we have now been informed that the 911 Surcharge rate imposed upon VOIP customers is equal to a uniform, flat-fee of \$1.25 per month.

Accordingly, effective with this month's release, we are hereby updating our database to reflect that a special rate of \$1.25 per month (as captured by Tax Type 33/V1) is imposed upon Items 001, 002, 013-015 & 021 in Group 5032 (Fixed VOIP) and Group 5044 (Nomadic VOIP) regardless of Customer Type instead of Tax Types 33/04 and 33/03.

Changes to the Federal Telecommunications Relay System Assessment

Pursuant to FCC order 22-49, dated June 30, 2022, effective July 1, 2023, in addition to the IP CTS program being funded from contributions from both intrastate and interstate telecom services (which has been the case since 2020, as opposed to standard telecom relay services which are funded from contributions solely from interstate telecom services), VRS (Video Relay Service) and IP Relay Services will also be funded from contributions from both intrastate and interstate telecom services.

Please note that this change is something that is transparent to our database and will not impact the data, taxability, and rates in our database.

A summary of this change is as follows:

Until July 1, 2023, the structure will be the following:

- TaxType/TaxCat **60/80** = This is the component of the assessment that funds standard telecom relay services. This rate is imposed only on interstate telecom services. Currently VRS and IP Relay services are funded via this rate as well.
- TaxType/TaxCat **60/28** = This is the component of the assessment that funds IP-CTS services. This rate is imposed on both intrastate and interstate telecom services.

After July 1, 2023, the structure will be the following:

- TaxType/TaxCat **60/80** = This is the component of the assessment that funds standard telecom relay services. This rate will remain imposed only on interstate telecom services.
- TaxType/TaxCat **60/28** = This component of the assessment will now be expanded to fund VRS, and IP Relay in addition to IP-CTS services. This rate will remain imposed on both intrastate and interstate telecom services.

Temporary Repeal of the Menlo Park, California Utility Users Tax

Among the taxes covered in our database is the Menlo Park, California Utility Users Tax (as captured by Tax Type 16/80). Prior to this month's release, our database reflected that the rate for this tax was equal to 1% of charges for telecommunications service. However, pursuant to enacted local legislation, the rate for this tax is temporarily being reduced to zero, effective May 23, 2023.

To quote the relevant provision of the legislation:

"Be it further resolved, that the City Council of the City of Menlo Park hereby establishes a reduction in the Utility Users' Tax rate to a rate of zero percent for a period of no more than 12 months."¹⁵

Accordingly, we are hereby reducing the tax rate for the Utility Users Tax imposed by the City of Menlo Park, California (as captured by Tax Type 16/80) to a 0% rate effective with this month's release.

Texas Local Sales & Use Tax: One Additional Local Jurisdiction Now Taxes Telecommunications Service

¹⁵ Menlo Park, California Resolution Number 6834.

Effective July 1, 2023, the following additional local jurisdiction in Texas will now impose its local option sales & use tax on telecommunication services: City of Blue Ridge (in Collin County) - captured in the database by Tax Types 04/80 & U4/80.¹⁶

Updates to Current Telecommunications Database – State Rate Changes Effective July 2023

New Mexico State Gross Receipts Tax & New Mexico State Gross Receipts Use Tax

Among the taxes covered in our database are the New Mexico State Gross Receipts Tax (as captured by Tax Type 01/01) & the New Mexico State Gross Receipts Use Tax (as captured by Tax Type U1/01).

Prior to this month's release, our database reflected that the rate for these taxes was 5.0%.

However, pursuant to enacted legislation¹⁷, the rate for these taxes is being reduced to 4.875%, effective July 1, 2023.

South Dakota State Sales & Use Tax

Among the taxes covered in our database are the South Dakota State Sales Tax (as captured by Tax Type 01/01) & the South Dakota State Use Tax (as captured by Tax Type U1/01).

Prior to this month's release, our database reflected that the rate for these taxes was 4.5%.

However, pursuant to enacted legislation¹⁸, the rate for these taxes is being reduced to 4.2%, effective July 1, 2023.

Reduction in the Assessment Rate for the Texas Universal Service Fund

Among the taxes covered in our database is the Texas Universal Service Fund (as captured by Tax Type 26/80).

Prior to this month's release, the assessment rate for this regulatory surcharge was 24% of a carrier's Intrastate gross revenues. However, pursuant to action taken by the Texas Public Utility Commission, the rate for this assessment is being reduced to 12%, effective July 1, 2023.

To quote the Order implementing this rate reduction:

"At the May 11, 2023, open meeting, the Commission addressed the Texas Universal Service Fund (TUSF) assessment rate. The Commission determined that the current funding requirement for the TUSF, under 16 Texas Administrative Code (TAC) § 26.420(e), requires a reduction to the assessment rate. The Commission adopts an assessment rate of 12%. The assessment rate must be reduced from 24% to 12% effective July 1, 2023. Under 16 TAC § 26.420(t)(6), a telecommunications provider may recover its TUSF assessments by surcharging their retail customers who are subject to tax under Chapter 151 of the Texas Tax Code.

The amount of the surcharge is limited to 12% of customers' taxable intrastate telecommunications service receipts and shall be calculated using the same methodology the telecommunications provider uses in determining its assessments.

Telecommunications providers that surcharge customers must include the following notice language as a bill message or billing insert in the first customer bill containing the revised surcharge:

"The Texas Universal Service Fund assessment rate has been reduced from 24% to 12% effective July 1, 2023."

A telecommunications provider subject to the filing requirements of 16 TAC § 26.89 or 26.207 that surcharges its customers must file a copy of its notice, along with a revised compliance tariff, schedule, or price list in Project No 53808, Compliance Proceeding to Implement Order in Project No. 50796, Review of the TUSF Rate, on or before May 19, 2023."¹⁹

¹⁶ See <https://comptroller.texas.gov/taxes/publications/96-339.php>.

¹⁷ New Mexico House Bill 163 (2023).

¹⁸ South Dakota House Bill 1137 (2023).

¹⁹ Texas Public Utility Commission Project Number 50796 "Review of TUSF Rate: Order Changing the TUSF Assessment" [Dated May 11, 2023].

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