

AB 1050 (Ma)

Telecommunications: taxes and fees: prepaid wireless services.

(to be amended)

Bill Summary:

This bill will provide for a uniform system of collection for local and state taxes from consumers of prepaid communication services. Prepaid communication services are those which the consumer pay for services (i.e. minutes) on a pay-as-you-go basis. These include prepaid phones, phone cards, and online purchases of minutes for prepaid phones.

Current Law:

Current law imposes the state 911 surcharge, as well as a variety of public purpose surcharges for low-income and rural assistance programs, as well as programs for the disabled. In addition, many local governments impose local utility user taxes and other local communications charges. The surcharges are calculated based on the amount paid for all phone calls that originate and end in the state, and are imposed at the time of billing.

The wireless communications industry is changing. The number of consumers choosing prepaid communications services over postpaid communications services (cell phones with contracts, land lines) is growing quickly. However, most consumers of prepaid communications services (phone, phone cards, etc.) do not have a direct relationship with a carrier. There is not a monthly bill to which such surcharges can be applied (or even calculated), making it difficult to collect the taxes/surcharges. Therefore, a different mechanism is needed to collect communications taxes/surcharges.

Currently, there is no reliable mechanism to collect these taxes and, therefore, no reliable means for ensuring the revenues are collected.

Next Steps:

The League has been participating in a series of meetings that include the sponsors (CTIA), retailers, local governments, and other stakeholders. Recently the League shared some draft language with a small group of city attorneys for input and reaction. Our next step is to hold a webinar with all cities that have an UUT to discuss the language and where we go from here.