

Florida Department of Revenue  
Tax Information Publication

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**Communications Services Tax**

**Communication Services Tax AT A GLANCE**

1. A new law applies to bills issued on or after October 1, 2001.
2. Information about the new law is available on DOR's Internet site.
3. Communications services now include telecommunications, cable, direct-to-home satellite, and other related services.
4. Some communications services are not subject to the tax.
5. The new law requires a new tax return.
6. New registration is required.
7. Dealers are encouraged to file via the Internet.
8. EFT & EDI filing still required for some dealers.
9. Collection allowances are available.
10. Bundled services are taxed.
11. Resale certificates are issued annually.
12. Local rate changes are anticipated.
13. Dealers must itemize tax on bills.

**Department of Revenue to Collect All Telecom Taxes for Local Governments**

A new law simplifying the complex structure of taxes on telecommunications, cable, direct-to-home satellite, and related services will apply to bills issued on or after October 1, 2001. The "communications services tax" replaces several different state and local taxes or fees with a single tax comprised of two parts: the Florida communications services tax and the local communications services tax. The Florida communications

services tax is the state portion and includes a state rate (6.8 percent) and a gross receipts tax rate (2.37 percent). The local communications services tax is the local portion and each locality, whether a municipality, charter county, or unincorporated county, may impose and receive the revenue from this portion of the tax.

Under the new law, **each dealer of communications services files a single monthly return**, accompanied by a single payment to the Department of Revenue (DOR). Municipal public services taxes for telecommunication services (MPST) previously paid to local governments are now included in this remittance.

The taxes replaced under the new law include both the state sales tax (7 percent), discretionary sales surtax, and gross receipts tax (2.5 percent) on telecommunications services. At the local level, the taxes and fees replaced include the MPST on telecommunications (the 7 percent and 10 percent options), franchise fees on cable and telecommunications service providers, certain permit fees relating to placing or maintaining facilities in rights-of-way, and franchise fees on cable service for non-charter counties.

In the past, DOR administered the state sales tax and gross receipts tax on telecommunications services while each local government administered its own taxes on those services. Under the new law, DOR administers both the state and local parts of the communications services tax. After collection, DOR distributes the appropriate portion of the tax to local governments. DOR will coordinate all audit activities.

**State portion:**

State (former sales tax)  
Gross receipts (former gross receipts on telecommunications)

**Local portion:**

Local (former MPST)  
Franchise fees  
Discretionary Sales Surtax

## **The definition of communications services is broadened**

Communications services includes telecommunications, cable, direct-to-home satellite and related services. This definition encompasses voice, data, audio, video, or any other information or signals, including cable services, which are transmitted by any medium.

Some examples of services subject to the tax are:

- \* Local, long distance or toll telephone (but not coin-operated).
- \* Cable television.
- \* Direct-to-home satellite.
- \* Mobile communications, including detailed billing charges.
- \* Private line services.
- \* Pager and beeper.
- \* Telephone charges made by a hotel or motel.
- \* Facsimiles (FAX), when not provided in the course of professional or advertising services.
- \* Telex, telegram, and teletype.

## **These services are not subject to the communications services tax**

- \* Information services (e.g., electronic publishing, web-hosting service, or end-user 900-number service).
- \* Internet access services, electronic mail services, electronic bulletin board services or similar on-line computer services.
- \* The sale or recharge of prepaid calling arrangements.

**Note:** Prepaid calling arrangements remain subject to sales tax.

## **Bundled services are taxed**

Several services included in a single package are considered bundled. When a bundled package contains both taxable and

nontaxable services, the entire package is taxable. An example of a bundled service is selling telephone, cable TV, and Internet services for a single price. This entire package is subject to the tax.

**When tax should not be collected**

Dealers do not collect taxes on sales to religious and educational organizations with a 501(c)(3), or to governments. These transactions must be documented.

<b>Customer</b>	<b>Documentation Needed</b>
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Government . . . . .	Written evidence*
Religious and educational organizations holding a 501(c)(3). . . . .	Written declaration*
Resale . . . . .	Resale certificate

\*Information on documentation can be obtained at [www.myflorida.com/dor/taxrules](http://www.myflorida.com/dor/taxrules) (see Rule 12BER01-6)

**Some residential services receive partial exemption**

Generally, residential telephone service maintains its exemption from the state portion of the communications services tax when separately stated. It continues to be subject to the state gross receipts and local portions of the tax. Mobile telephone, cable, and direct-to-home satellite services are taxable even if provided to a residence.

**New registration is required**

Businesses currently remitting tax on communications services to DOR will be mailed an Application for Communications Services Tax Registration (Form DR-700013). The form includes information already on record with DOR.

Forms should be completed and returned to DOR with any corrections before September 1, 2001.

New dealers and dealers who do not receive a Form DR-700013

should complete an Application to Collect and/or Report Tax in Florida (Form DR-1).

Only one registration is required for each legal entity regardless of the number of locations. There is no fee to register for the communications services tax.

### **Annual Resale Certificate**

The communications services tax has its own annual resale certificate that is separate and apart from the one issued for sales and use tax. This certificate is only used for tax-exempt purchases of communications services that are to be resold. Each active registered dealer will receive a new annual resale certificate each year.

### **Tax return changes**

The new law significantly impacts the way taxes on telecommunication, cable, and direct-to-home satellite services are reported to the state and to the local governments.

Dealers will remit the tax to DOR on the Communications Services Tax Return (Form DR-700016). Effective with the October 2001 reporting period, the Communications Services Tax Return replaces the:

- \* Gross Receipts Tax Return (Form DR-133), reported on Lines 3 - 5.
- \* Telecommunication services tax reported on Line 22 of the Sales and Use Tax Return (Form DR-15).
- \* Cable services and direct-to-home satellite services tax reported on the Sales and Use Tax Return (Form DR-15), reported on Line A.
- \* Local governments MPST returns for telecommunications.

Businesses should examine their operations to determine if they need to continue to file a Sales and Use Tax Return or the local

MPST return. If it is determined that the sales and use tax is no longer applicable, dealers should file a final return and the close of business form in their coupon book.

### **Tax return filing methods**

Returns and payments are due on the first and late after the 20th day of the month following each billing period. Returns must be filed, even if no tax is due. Filing communications services tax returns electronically ensures quick, efficient, and accurate processing. All dealers are encouraged to file using an electronic method.

**Internet filing:** The DOR site will guide dealers easily through the process. Dealers should visit the DOR Internet site at [www.myflorida.com/dor](http://www.myflorida.com/dor) or call the Department's e-Services Unit at 1-800-352-3671 (in Florida only) or at 850-487-7972 or TDD: 1-800-367-8331.

**EFT and EDI filing:** Some dealers are required to file using this method. If, in the previous state fiscal year (July 1 through June 30), a dealer paid \$50,000 or more in either gross receipts tax, sales tax, or communications services tax, that dealer must file the return using electronic data interchange (EDI) and remit funds using electronic funds transfer (EFT), or may both file and remit using the Internet.

**Paper filing:** Dealers filing by paper will receive their first return by mid-October 2001 and by mid-month for subsequent filing periods.

### **New state and local rates**

The state rate is 6.8 percent. The gross receipts rate is 2.37 percent. These rates are combined on the customers' bill. Each local taxing jurisdiction (municipality, charter county, or unincorporated county) has a specific tax rate for that local jurisdiction. The state and gross receipts tax rate will stay fairly constant. Local rates can and do change frequently. DOR will notify dealers of rate changes. To verify current rates,

visit DOR's Internet site at [www.myflorida.com/dor](http://www.myflorida.com/dor)

Direct-to-home satellite service has a single rate of 13.17 percent.

### **Taxing the customer properly**

The tax rate charged to the customer is based on the tax jurisdiction of the customer's service/billing address. Each dealer's customer database must accurately assign addresses to the appropriate taxing jurisdiction.

### **Collection allowance driven by database accuracy**

Depending on the accuracy of the dealer's databases, two different collection allowances are available. A dealer employing one or more of the following methods to ensure proper address-to-jurisdiction assignment in each of its databases will be granted a collection allowance of .75 percent of total tax due. Otherwise, a collection allowance of .25 percent will be granted.

- \* Using an address database provided by DOR to verify the accurate assignment of customer addresses to tax jurisdictions.
- \* Using a database developed by the dealer and certified by DOR to verify the accurate assignment of customer addresses to tax jurisdictions.
- \* Using a DOR certified database supplied by a vendor to verify the accurate assignment of customer addresses to tax jurisdictions.
- \* Using ZIP+4 and matching an address to its specific tax jurisdiction.

Dealers with multiple databases getting both higher and lower collection allowances may file a separate return for each allowance or a single return and receive the .25 percent allowance.

If, during audits, dealers employing one or more of these methods are found to have incorrectly assigned a customer's address to a taxing jurisdiction, they will be held harmless from assessment.

### **Notification of method used for accurate address-to-jurisdiction assignment**

All dealers, excluding direct-to-home satellite providers and substitute communications systems operators, must complete a Notification of Method Employed to Determine Taxing Jurisdiction (Form DR-700020) to notify DOR of their address-to-jurisdiction assignment methods. Businesses with a single location, such as a hotel, must also file this notification.

### **Certification of databases**

In order for a database to be certified by the Department, it must assign street addresses, address ranges, post office boxes, or post office box ranges to the proper jurisdiction at an overall accuracy rate of 95 percent at a 95 percent level of confidence for the state or the entire service area of the dealer. The Department will determine the accuracy by using a statistically reliable sample. Dealers or database vendors can seek database certification by filing an Application for Certification of Communications Services Database (Form DR-700012) at any time before or after October 1, 2001.

### **Informing the customer**

The law requires that dealers **itemize and separately state** taxes on customers' bills issued on or after October 1, 2001. The taxes shall be identified as state communications services tax and local communications services tax, respectively.

### **Seminars available**

Dealers wishing to learn more about this tax may register for seminars. A schedule of seminars is listed on DOR's Internet site.

## **CHECKLIST FOR PROVIDERS OF COMMUNICATIONS SERVICES TAX**

### **TO GET STARTED:**

- \* DR-700013 (registration for communications services tax...will receive automatically if previously registered with the state)
- \* DR-1 (registration for communications services tax if no DR-700013 received or new dealer )
- \* DR-700020 (notification of method elected to assign service addresses to jurisdictions)
- \* DR-700012 (application for certification of database...not needed for ZIP+4, using the DOR database, or if lower collection allowance is to be taken)

### **WHEN REGISTERED:**

- \* DR-700016 (communications services tax return) or
- \* DR-600F (registration for EFT/EDI program)
- \* DR-653 (electronic filing agreement for EFT/EDI program)
- \* DR-659 (electronic filing calendar)

### **TO OPERATE YOU WILL NEED:**

- \* DR-700014 (tax certificate of registration)
- \* DR-700015 (annual resale certificate for communications services)

### **For Information and Forms**

Information and forms are available on our Internet site at [www.myflorida.com/dor](http://www.myflorida.com/dor)

### **Need Forms?**

To receive forms by mail:

- \* Order multiple copies of forms from our Internet site at [www.myflorida.com/dor/forms/order](http://www.myflorida.com/dor/forms/order) or
- \* Fax your form request to the DOR Distribution Center at 850-922-2208 or
- \* Call the DOR Distribution Center at 850-488-8422 or
- \* **Mail your form request to:**

DISTRIBUTION CENTER  
FLORIDA DEPARTMENT OF REVENUE  
168A BLOUNTSTOWN HWY  
TALLAHASSEE FL 32304-3702

To receive a fax copy of a form, call 850-922-3676 from your fax machine telephone.

#### **Need Assistance?**

To speak with a Department of Revenue representative, call Taxpayer Services, Monday through Friday, 8 a.m. to 7 p.m., ET, at 1-800-352-3671 (in Florida only) or 850-488-6800.

#### **For a written response to your questions, write:**

TAX INFORMATION SERVICES  
FLORIDA DEPARTMENT OF REVENUE  
1379 BLOUNTSTOWN HWY  
TALLAHASSEE FL 32304-2716

Hearing or speech impaired persons may call the TDD line at 1-800-367-8331 or 850-922-1115.

Department of Revenue service centers host educational seminars about Florida's taxes. For a schedule of upcoming seminars,

- \* Visit us online at [www.myflorida.com/dor](http://www.myflorida.com/dor) or
- \* Call the service center nearest you.

