

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 28** HLS 181ES 2
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: February 22, 2018 6:39 PM	Author: SMITH, P.
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Telecommunications Tax for the Deaf	

TAX EG +\$11,700,000 SD RV See Note Page 1 of 1
 Increases the tax on certain telecommunication devices and services and levies a tax on prepaid mobile devices and prepaid mobile device cards (Item #10)
Present law levies a tax of 4.5¢ per month on each wireless access line and per telephone number for each wireless handset device on each residential and business customer of a local or wireless communication service company operating in the state. Vendor compensation of 3% is allowed for collection and timely remittance of the tax.
Proposed law adds a \$1.50 tax to the purchase of each prepaid mobile device and card based on the prepaid value.
 Effective July 1, 2018.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$11,700,000	\$11,700,000	\$11,700,000	\$11,700,000	\$11,700,000	\$58,500,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$11,700,000	\$11,700,000	\$11,700,000	\$11,700,000	\$11,700,000	\$58,500,000

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

This tax was reduced from 5¢ per month to 4.5¢ per month, and was extended to wireless lines as of October 1, 2017; within the current fiscal year (FY18). No tax is currently imposed on prepaid wireless devices.

An estimate of the additional tax receipts this additional levy may generate, was provided by Leonine Public Affairs, a consulting firm working for the wireless telecommunications industry. That analysis was sourced to publications of the Federal Communications Commission (total prepaid and postpaid subscribers in La - 4.674 million) and the Cellular Telecommunications and Internet Association (share of subscribers that are prepaid in La - 940,000). Assumption of 10% inactive subscribers was made to estimate 847,000 active prepaid subscribers in La, exhibiting an estimated average of 9.5 recharges per year. Total purchase transactions of prepaid cards and devices in La in a year are estimated at 8.034 million. The \$1.50 levy per each of these transactions generates gross tax receipts of \$12.1 million per year. The 3% vendor compensation allowance reduces that gross amount to \$11.7 million of net tax receipts.

This estimate is not entirely verifiable, and does not attempt to account for possible diversion of purchases to avoid the bill's per transaction levy. It does seem to provide, though, a rough estimate of the potential revenue receipts from such a levy.

The net proceeds of this tax are deposited into the Telecommunications for the Deaf Fund. Monies in that Fund are appropriated to establish, administer, and promote a statewide program to provide accessibility services and assistive technology for persons who are deaf, deaf/blind, hard of hearing, speech impaired, or others with similar disabilities or impairments, including captioning and American sign language services to be utilized at the legislature.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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