

HCS HB 209 -- SIMPLIFIED MUNICIPAL TELECOMMUNICATIONS BUSINESS
LICENSE TAX

SPONSOR: Sutherland (Cooper, 120)

COMMITTEE ACTION: Voted "do pass" by the Committee on Ways and Means by a vote of 10 to 5.

This substitute authorizes the simplified municipal telecommunications business license tax. After August 28, 2005, any municipality may impose this tax on a telecommunications company for the privilege of doing business within its borders. The telecommunications company can pass the tax onto its retail customers only if the company itemizes the tax on the customer's bill. The Director of the Department of Revenue will publish a list of the municipalities imposing this tax.

The maximum rate of the gross receipts percentage for any municipality is 5% for tax years 2006 and 2007 and 3% for 2008 and thereafter.

FISCAL NOTE: No impact on state funds in FY 2006, FY 2007, and FY 2008.

PROPOSERS: Supporters say that the bill is the result of several years of complaints about complex tax language. The proposal will decrease administrative costs and provide a business licence tax comparable to the telecommunication tax. With the switch from land lines to cell phones, a 10% growth is expected in cell phone usage and a 3% decrease in land line usage each year. Telecommunication companies want to be taxed just like any other business. Current gross receipts tax rates are between 2% and 11% on phones. Laws were written over 30 years ago and need updating. The bill provides rate caps and eliminates retroactive exposure to collect and pay back taxes. A law suit claiming underpayment of taxes has been filed by 40 cities in Missouri. In general, wire line companies have paid the taxes while wireless companies have not.

Testifying for the bill were Representative Cooper (120); Southwestern Bell Company of Missouri; Sprint PCS; Cingular Wireless; Nextel; Century Tel; Verizon Wireless; MCI; and ALLTEL Communications.

OPPOSERS: Those who oppose the bill say that time is needed to settle the law suit and work out problems with the tax rates for the decrease in land lines and the increase in wireless companies before legislation should be offered. Some companies, such as U.S. Cellular, pay the tax while other telecommunication companies are getting away without paying the tax even when local

law is clear. This provides an unfair advantage to some competitors. Local governments assume revenue losses could result from the bill.

Testifying against the bill were St. Louis County Police Department; St. Louis County; Missouri Municipal League; City of Jefferson; City of Florissant; City of Raytown; City of Bridgeton; City of Lee's Summit; City of St. Louis; City of University City; Independence City Counsel; and St. Louis County Municipal League.

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