

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer



MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer

DATE: June 28, 2002

SUBJECT: Fiscal Impact Statement: "Mobile Telecommunications Sourcing Conformity Act of 2002"

REFERENCE: Bill 14-700 as Introduced

Conclusion

Currently, the District collects approximately \$23 million per year in telephone gross receipts tax for wireless service sales. Year-to-Date collections for FY 2002 are a little over \$13.5 million. Should the proposed legislation be implemented revenue could increase but this cannot be quantified. **If the proposed legislation is not implemented by August of 2002 the District will lose the authority for certain taxation resulting in a loss of local General Fund revenue.** In addition, the Office of Tax and Revenue will also incur additional costs for administering the proposed legislation.

Background

The proposed legislation makes statutory changes that are necessary to conform District code to the related federal Mobile Telecommunications Sourcing Act¹ (MTSA). The MTSA requires states to pass amendments such as those proposed in this bill prior to August 1, 2002 or lose the right to tax out-of-state roaming calls. Roaming is a communications industry term meaning an on-line connectivity from outside a user's home calling area.

The proposed legislation would simplify the billing process and ensure that calls are not subject to multiple taxation. The proposed legislation would define and designate a user's place of primary use (PPU) which would be either the user's residence or business

¹ Public Law 106-252 effective July 28, 2000.

address. This method would bring in revenue as some District residents will make D.C. their PPU thereby allowing the District sole taxing privileges. However, it will also cause the District to lose revenue as commuters and visitors to the District who were previously taxed under the *Goldberg v. Sweet* ruling, will now designate other states as their PPU. The proposed legislation makes statutory changes that are necessary to conform District code to the related federal Mobile Telecommunications Sourcing Act² (MTSA).

The proposed legislation will take effect on August 1, 2002.

Financial Plan Impact

At this time, the District does not have sufficient data to quantify the revenue impact of the proposed legislation. To do so would require knowledge about the population of wireless users in and outside of the District and their movement into and out of the District's taxing authority. In addition, the Office of Tax and Revenue will incur costs for compliance to the proposed legislation.

² Public Law 106-252 effective July 28, 2000.