

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 [signature]
Chief Financial Officer

DATE: December 9, 2003

SUBJECT: Fiscal Impact Statement: "Bundled Telecommunications Services Tax Act of 2003"

REFERENCE: Bill 15-410 as Introduced

Conclusion

Funds are sufficient in the FY 2004 through FY 2007 budget and financial plan because the proposed legislation will not require additional resources. The proposed legislation will not reduce local General Fund revenue.

Background

The proposed legislation would recognize bundled telecommunications services transactions in the law for tax purposes. The transactions can consist of distinct and identifiable properties such as telephone, data line, and internet service. Vendors would sell these services for one non-itemized price even though the local tax treatments differ. In a bundled telecommunications service consumers would no longer be purchasing individual phone calls or custom calling features. Instead they purchase the right to use a variety of services.

The proposed legislation requires that in the case of a mixture of taxable and non-taxable elements within a particular bundled telecommunications service the portion of the price that is attributable to the non-taxable service will be subject to tax. This is unless the service provider can reasonably identify and partition those costs in their books and record keeping. The bill recognizes that such record keeping is that which is kept in the regular course of business for other purposes. Nineteen states have implemented similar legislation including the State of Maryland and the Commonwealth of Virginia.

Financial Plan Impact

Funds are sufficient in the FY 2004 budget because the proposed legislation will not have any impact on the District's budget and financial plan. The proposed legislation clarifies that the gross receipts tax only applies to the portion of the vendor's charges relating to currently taxable telecommunications services. The elements of a bundled telecommunications service that are currently taxable will remain taxable with no change in rates. The proposed legislation will not reduce local General Fund revenue.

The Office of Tax and Revenue will be required to absorb the costs of revised tax forms and personnel training estimated to be less than \$25,000.