

Revenue Laws Study Commission - Telecom Taxation Comments

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North Carolina Association of County Commissioners – Paul Meyer, Asst. General Counsel

- A. NCACC supports legislative position of NCLM, although counties not identical to cities
- B. Primary county concerns: Maintenance of revenue; Potential loss of important regulatory purposes of local cable franchise agreements
- C. Revenue
 - a. But for satellite radio, counties do not receive any portion of the state sales tax on telecom/cable services – unlike cities, no revenue sharing with state.
 - b. However, counties are authorized to negotiate cable franchise agreements with “cable television system” (wired video services) providers (authority 153A-137), including local cable franchise tax, up to 5% gross revenues (per federal law).
 - c. Not all counties have cable franchise agreements; county cable franchise tax rates range from 1-5% of gross revenues
 - d. Change last year allows “cable service providers” a credit for local cable franchise taxes paid, against 7% state sales tax.
 - e. NCACC supports the authority of counties to negotiate and grant local cable franchises to all “cable service” providers, including telecoms entering into video service market.
 - f. No pressing public policy purpose is served if cable TV and telecom providers were to operate under differing tax models for the same service.
 - g. If county cable franchise agreements were eliminated (and the tax with it), counties would lose approx \$15 million. Cities would continue to receive revenue sharing with state on 7% sales tax related to voice and data.
- D. Primary regulatory purposes of local cable franchise agreements
 - a. **Build out requirements** to ensure access to services for all citizens, irrespective of income, location, or race – i.e. no cherry picking of the most profitable areas.
 - i. This is particularly important in the unincorporated portions of a county, where population densities can be minimal – video service providers are less apt to run wires to serve these customers due to lack of profitability.
 - b. Require ongoing **availability of government access channels**, in order help citizens understand, follow and participate in the local government decision making process.
 - i. Empirical studies have found that people are getting their news more from video than written sources
 - c. **Local regulation of rates, fees, and charges** to ensure consumer protections, and meet local needs as to service quality and quantity.