

Historical Tax Law Changes

Telecommunication Services Excise Tax

Laws 1983, Chapter 316 provided for a Telecommunication Services Excise Tax at a rate of one-half of 1% of the amount charged by a provider for exchange access services for the purpose of financing emergency telecommunication services. The rate was levied beginning July 1, 1983. (Effective May 4, 1983)

Laws 1985, Chapter 35 established a program to provide telecommunication devices to the deaf and severely hearing impaired. Beginning July 1, 1985, an excise tax of two-tenths of 1% of the amount charged by a provider for exchange access services was imposed for the purpose of financing such telecommunication devices. This tax was scheduled to expire on June 30, 1988. (Effective April 9, 1985)

Laws 1986, Chapter 177 increased the maximum allowable tax rate levied for financing emergency telecommunication services from one-half of 1% to 1.5% of the amount charged by a provider for exchange access services. (Effective August 13, 1986)

Laws 1988, Chapter 145 increased the Telecommunication Services Excise Tax for financing telecommunication devices for the deaf and severely hearing impaired from two-tenths of 1% to four-tenths of 1%. Also made this tax permanent by eliminating the prior June 30, 1988 expiration date. (Effective June 2, 1988)

Laws 1989, Chapter 73 modified the current maximum rate of four-tenths of 1% tax rate on basic phone exchange access service charges for financing telephone devices for the hearing impaired (TDD's) by establishing an eight-tenths of 1% maximum rate on the tax. (Effective April 20, 1989)

Laws 1989, 2nd Special Session, Chapter 1 required taxpayers, with an annual liability of \$100,000 or more in the preceding calendar year or who can reasonably expect to reach this amount in the current year, to make an estimated payment for the first 15 days of each month. The estimated payment can be either:

- (1) One-half of the previous month's actual liability.
- (2) The actual tax liability for the first 15 days of current month.

The due date is the 20th day of each month, while the delinquency date is the 25th day if mailed or the business day preceding the last business day of the month. The balance for the month is paid when filing the normal monthly return. (Effective May 1, 1990)

Laws 1991, Chapter 75 eliminated the requirement for the Arizona Council for the Hearing Impaired to establish a dual party relay system, but instead, the Executive Secretary of the Council will recommend a Telecommunications Service Excise Tax rate reduction to the Joint Legislative Tax Committee when a telecommunications company establishes such a system for the deaf or hearing or speech impaired. These provisions become effective on the earlier of July 26, 1993 or the date a telecommunications company establishes a dual party relay system in Arizona pursuant to Section 401 of the Americans with Disabilities Act. (Effective September 21, 1991)

Laws 1994, Chapter 88 increased from 0.8% to 1.6% the amount of tax that can be levied on the gross proceeds of sales or gross income derived from the business of providing exchange access services. The tax is used for the purposes of financing telecommunication devices for the deaf and severely hearing and speech impaired. The act contains provisions defined in Article IX, Section 22, Constitution of Arizona that requires the affirmative vote of at least two-thirds of both houses. (Effective April 12, 1994)

Laws 1996, 5th Special Session, Chapter 5 established, for FY 1997, the rate of the telecommunications services excise tax and changed the tax distribution. The act established a tax rate of 1.1%, while also creating a Poison

Control Fund which is to receive 0.3% of the total 1.1% tax levy. The other 0.8% of collections continues to be deposited in the Telecommunications Fund for the Deaf under the bill.

Laws 1996, 6th Special Session, Chapter 1 exempted the following two types of sales from the tax base of the telecommunications tax:

- The sales of intrastate telecommunications services to a direct broadcast satellite television or data transmission service for use in its operation.
- The sales of direct broadcast satellite television services by a direct broadcast satellite television service.

Laws 1997, Chapter 258 broadened the telecommunication services excise tax to include wireless services, such as cellular phone service. The bill also authorizes a tax rate of 10¢ per month through June 30, 1999 for each activated wireless service, for the purpose of financing emergency 911 service. After June 30, 1999 the maximum tax rate increases to 20¢ per month. (Effective April 29, 1997)

Laws 1997, 1st Special Session, Chapter 5 continued, for FY 1998 and FY 1999, the tax rate and distribution of the telecommunication services excise tax that was established by Laws 1996, 5th Special Session, Chapter 5. (Effective July 1, 1997)

Laws 1999, Chapter 176 continued for FY 2000 and FY 2001 the tax rate and distribution structure that were first established by session law in Laws 1996, 5th Special Session, Chapter 5 and re-established by Laws 1997, 1st Special Session, Chapter 5. The tax rate on the provider's gross proceeds of sales or gross income derived from the business of providing exchange access services (local telephone service) is continued at 1.1%, of which 0.8% is deposited in the Telecommunications Fund for the Deaf and the other 0.3% is deposited in the Poison Control Fund. (Effective August 6, 1999)

Laws 2001, Chapter 373 repealed the 1.25% 911 Excise Tax on provider proceeds and the 10¢ levy on activated wireless service accounts. To fund emergency telecommunication services, the act established a tax for each activated wire and wireless service account. The act set the tax rate for funding emergency telecommunications services at 37¢ per activated wire and wireless service account for FY 2001-2006. For FY 2007, the rate is 28¢ per activated service. Beginning from and after FY 2008, the rate is 20¢ per activated service.

Laws 2001, Chapter 234 continues to temporarily suspend permanent statute and allocates 0.8% of the 1.1% tax to the Arizona Commission for the Deaf and the Hard of Hearing, and the remaining 0.3% to the DHS for poison control centers in FY 2002 and FY 2003.

Laws 2003, Chapter 263 amended A.R.S. § 42-5252 to expand the purposes for which this excise tax may be used to also include the Poison Control System and the operating costs of the ASDB. Of the 1.1% total surcharge on local phone bills, the act permanently allocated 0.69% to the Commission for the Deaf and the Hard of Hearing (Commission), 0.18% to DHS, and 0.23% to ASDB. In prior years 0.8% of the 1.1% tax was allocated to the Commission and the remaining 0.3% was allocated to DHS. The FY 2004 appropriations from the tax to the Commission and DHS were not reduced as a result of the statutory changes since the new allocations provided adequate funding for Commission and DHS operations. The act also established an ASDB Telecommunications Tax Fund consisting of monies received from the telecommunications tax.

Laws 2004, Chapter 305 amended A.R.S. § 42-5252 to reallocate a portion of the Telecommunications Provider Proceeds Tax from the Telecommunication Fund for the Deaf, which now will receive 0.68% of providers' gross proceeds, to the Teratogen Information Program Fund, which will receive 0.01% of providers' gross proceeds. The Teratogen Information Program will include information on possible teratogen exposure, educational programs and materials, and a toll-free telephone number to provide information. (Effective June 30, 2004)

Laws 2005, Chapter 328 amended A.R.S. § 42-5252 to reallocate a portion of the Telecommunications Provider Proceeds Tax from ASDB, which will now receive 0.16% of providers' gross proceeds, to the Poison Control System within the DHS, which will now receive 0.25%, of providers' gross proceeds. This will result in a shift of \$400,000 from ASDB's share of the tax revenues in FY 2006 to Poison Control. ASDB's budget was backfilled with \$400,000

from the General Fund in FY 2006 to replace the \$(400,000) decrease in funding from the Telecommunications Services Excise Tax. The change in allocations addresses an estimated (10)% decline in revenue from the tax in FY 2006 primarily due to an increase in the amount of wireless telephone and Voice over Internet Protocol users. The decline in revenue would have caused a reduction in Poison Control activities. (Effective August 12, 2005)

Laws 2006, Chapter 351 amended A.R.S. § 42-5252 to redistributed telecommunications services excise tax revenues from the ASDB, the Poison Control System, and the Teratogen Information Program to the Commission for the Deaf and the Hard of Hearing, leaving the commission with 100% of collections from the tax, or 1.1% provider's gross proceeds of sales or gross income from wired telephone lines. (Effective July 1, 2006)