

MINNESOTA • REVENUE

TELECOMMUNICATIONS FEE Fee on Prepaid Wireless Service

March 11, 2011

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 236 (Magnus) / H.F. 441 (Loon)

	Fund Impact			
	<u>F.Y. 2012</u>	<u>F.Y. 2013</u>	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>
	(000's)			
Current Emergency Telecommunications Service Fee	(\$4,200)	(\$10,600)	(\$11,000)	(\$11,700)
Proposed Prepaid Wireless E911 Fee	<u>\$1,500</u>	<u>\$3,800</u>	<u>\$3,900</u>	<u>\$4,100</u>
Emergency Telecommunications Service Fee Account Total	(\$2,700)	(\$6,800)	(\$7,100)	(\$7,600)
Telecommunications Access Minnesota Fund Total	(\$500)	(\$1,200)	(\$1,300)	(\$1,400)
Total – All Funds	(\$3,200)	(\$8,000)	(\$8,400)	(\$9,000)

Effective for transactions made after January 1, 2012.

EXPLANATION OF THE BILL

Current Law: The emergency telecommunications service fee (E911) and the telephone access Minnesota fee (TAM) apply to all telephone lines in Minnesota. The emergency telecommunications fee is currently 80¢ per line per month and the telephone access Minnesota fee is currently 10¢ per line per month. These fees are administered by the Department of Public Safety.

Proposed Law: The bill would exempt prepaid wireless telecommunications services (PWTS) from the E911 fee. The TAM fee is administered in the same manner as the E911 fee. PWTS would be exempted from the TAM fee by this bill. PWTS would be subject to a 38¢ fee per transaction and the fee would be collected at the retail level. The PWTS fee would be adjusted to match changes in the E911 fee. The Department of Revenue would administer this new transaction fee and it would be remitted with the sales tax.

REVENUE ANALYSIS DETAIL

- The Department of Public Safety provided data on subscriber counts and historical and projected E911 fees. In fiscal year 2010 Minnesota had approximately 4.2 million wireless subscribers.

REVENUE ANALYSIS DETAIL (Cont.)

- The International Association for the Wireless Telecommunications Industry reports that in December of 2009 prepaid wireless services accounted for 20.3% of the wireless subscriptions. The percentage of prepaid subscribers is assumed to be constant for this analysis.
- Between FY 2007 and FY 2010 wireless subscriptions in Minnesota grew at an average rate of 6.3% per year.
- The retailer can deduct and retain 3% of the fee and the Department of Revenue may not deduct and retain more than 2% of the collected fees to reimburse the Department for administration costs.
- This analysis assumes that on average prepaid subscribers make 10 transactions per year.
- The revenue impact for fiscal year 2012 is reduced to reflect five months of collections.

Number of Taxpayers: Approximately 1,000,000 prepaid wireless subscribers.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy