

OFFICE OF FISCAL AND PROGRAM REVIEW

Date: April 5, 2013
To: Members, Joint Standing Committee on Taxation
From: Elizabeth Cooper, Legislative Analyst

LD 916, An Act To Promote Investment in Maine's Communications Network and Natural Gas Network

Summary: This bill provides sales tax exemptions for telecommunications equipment sold to a provider of telecommunications services and natural gas heating equipment sold to a business or residential consumer.

Public Hearing:

Proponents

- The sponsor presented the bill and provided written testimony.
- Those testifying in support of the bill include representatives from Industrial Energy Consumer Group and wireless telecommunications providers.
- *Major points:* Maine is one of 28 states taxing telecommunications equipment; inconsistent with policy of not imposing taxes on business inputs; study shows elimination of sales tax on telecommunications network investments leads to additional investment and increased economic activity; map re: telecommunication equipment sales tax exemptions by state provided; conversion from oil to gas furnace expensive for consumers – sales tax exemption will help spur investment in natural gas and decrease the State's dependence on oil; information on Maine's need for natural gas was provided.

Opposed - none

NFNA

- A representative of Fairpoint Communications testified “neither for nor against” the bill.
- *Information provided:* background on past work to equalize the taxation treatment of all telecommunications providers

Additional information: Definitions referenced in the bill are on the back of this analysis sheet.

Technical Issues: Should the Committee choose to move forward with the bill, members may want to consider removing unnecessary language.

Fiscal Information: The preliminary fiscal impact statement was not available at the time this analysis was finalized. The most current fiscal information can be found online at: www.mainelegislature.org/LawMakerWeb/search.asp.

Title 36: TAXATION
Part 4: BUSINESS TAXES
Chapter 358: SERVICE PROVIDER TAX

§2551. Definitions

19. Telecommunications equipment. "Telecommunications equipment" means any 2-way interactive communications device, system or process for transmitting or receiving signals and capable of exchanging audio, video, data or textual information. "Telecommunications equipment" includes all transmission media that are used or capable of being used in the provision of 2-way interactive communications, including, without limitation, copper wire, coaxial cable and optical fiber, except those transmission media designed and primarily used to transmit electricity. "Telecommunications equipment" does not include computers, except those components of a computer used primarily and directly as a 2-way interactive communications device capable of exchanging audio, video, data or textual information.

20-A. Telecommunications services. "Telecommunications services" means the electronic transmission, conveyance or routing of voice, data, audio, video or any other information or signals to a point or between or among points. "Telecommunications services" includes transmission, conveyance or routing in which computer processing applications are used to act on the form, code or protocol of the content for purposes of transmission, conveyance or routing without regard to whether the service is referred to as "Voice over Internet Protocol" services or is classified by the Federal Communications Commission as enhanced or value added. "Telecommunications services" does not include:

A. Data processing and information services that allow data to be generated, acquired, stored, processed or retrieved and delivered by an electronic transmission to a purchaser when the purchaser's primary purpose for the underlying transaction is to obtain the processed data or information;

B. Installation or maintenance of wiring or equipment on a customer's premises;

C. Tangible personal property;

D. Advertising, including, but not limited to, directory advertising;

E. Billing and collection services provided to 3rd parties;

F. Internet access service;

G. Radio and television audio and video programming services, regardless of the medium, including the furnishing of transmission, conveyance and routing of those services by the programming service provider. Radio and television audio and video programming services include, but are not limited to, cable service as defined in 47 United States Code, Section 522(6) and audio and video programming services delivered by commercial mobile radio service providers as defined in 47 Code of Federal Regulations, Section 20.3;

H. Ancillary services; or

I. Digital products delivered electronically, including, but not limited to, software, music, video, reading materials or ringtones.