

MEMORANDUM

DATE: July 23, 2002
TO: The Board of Supervisors
FROM: John E. McDonald, Manager of Financial and Management Services
SUBJECT: An Ordinance to Amend Chapter 20, of the James City County Code to provide a Tax on Local Telecommunication Service.

Section 20-25 of the Code of James City County, Virginia, as authorized by the Code of Virginia, would establish a tax, per month, not to exceed \$1.20 on telecommunications services. This is known as a consumer utility tax and would be imposed on customers, including cellular phone customers within James City County. This tax would be billed to telecommunication customers and collected by the service provider who would then remit the proceeds monthly.

Section 20-70 and 20-71 of the Code of James City County, Virginia, would reduce the current E-911 tax from \$2.20 per month to \$0.75 per month. The purpose of this proposal is to reduce the current taxes paid, through the E-911 tax, on residential and commercial land lines in the County to an amount equal to the E-911 tax paid by wireless and cellular phone users to the State.

This is not a tax revenue initiative, but a revenue-neutral redesign of the County's taxes on telecommunication services. It attempts to equalize the monthly tax burden on all telecommunication service users without distinguishing between land-lines and wireless users.

The monthly tax rate on a land-line phone would drop from \$2.20 a month to a total of \$1.95. The monthly tax on wireless or cellular service would increase from \$0.75 per month to the same \$1.95, although the County would only collect \$1.20 directly.

The County has the legal authority to impose a consumer utility tax not to exceed 20 percent of the first \$15 of a residential phone bill (up to \$3 a month), and there is no ceiling on the taxable portion of non-residential users. The proposed County tax establishes a ceiling of \$1.20 a month on all users, residential or commercial.

These ordinance amendments would go into effect on January 1, 2003. This takes into consideration a 120-day notice to the telecommunications companies required by State law.

Staff recommends that the Board approve the attached Ordinance.

John E. McDonald

CONCUR:

Sanford B. Wanner

JEM/gs
TeleTax.mem

Attachments