

Satellite Tax

Satellite Tax: The City currently charges cable TV providers both a franchise fee and amusement tax. However, federal law prohibits municipalities from imposing a tax on satellite services.

Background

The City currently charges cable TV providers a 5% franchise fee (for the cable operator's occupation and use of the public way) and the 9% amusement tax; however, federal law prevents the City from applying these fees and taxes to satellite services.

Cable franchise fee revenue grew from \$15.9 million in 2005 to \$27.5 million in 2014. While changes in viewing technologies have reduced cable television subscription rates, modest growth is expected to continue for this revenue source, due in part to fee increases and the rise of on-demand and pay-per-view channels, with 2015 year-end estimates at \$28.9 million.

Prior to 2014, cable companies received a 5 percent exemption from the amusement tax, paying the amusement tax at a rate of 4 percent, as opposed to the 9 percent rate applied to other similar amusements. The exemption was reduced to 3 percent in 2014, resulting in a 6 percent amusement tax rate for cable companies. The 2015 budget eliminated this exemption, requiring cable companies to pay the 9 percent amusement tax applied to other amusements. The phase out of this credit resulted in additional revenue of approximately \$25 million over two years.

Additional information on and revenue history for the cable television franchise fee and the amusement tax can be found on pages 12 and 14 of the 2015 Annual Financial Analysis.

Revenue Impact

A 5% tax (mirroring the rate of the cable franchise fee) on satellite services could yield an estimated \$13 million in revenue. Application of the City's amusement tax to satellite service providers at the same rate that it applies to cable TV providers (9%) could yield an estimated \$24 million in revenue.

Legal Authority

Federal law states that a provider of satellite service is exempt from the collection of any tax or fee imposed by a local taxing authority. 47 U.S.C.A. 152. Any tax on satellite services would need to be imposed at the State level, with the State distributing the resulting revenue to the City.