

Sponsor Statement for HB 355

Mobile Telecommunications Tax

An Act relating to the taxation of mobile telecommunications services by municipalities; and providing for an effective date.

Released: March 13, 2002

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In 2000, Congress passed the Mobile Telecommunications Sourcing Act (MTSA), which clarified how mobile telecommunication calls involving multiple jurisdictions should be assigned or “sourced” for tax purposes. Sourcing involves determining which jurisdiction has the right to tax a telephone call that originates and terminates in different taxing jurisdictions. In the case of mobile telecommunications, the customer might live in one jurisdiction, have her bill sent to a second jurisdiction, make a call in a third jurisdiction, and complete the call in a fourth jurisdiction.

Without clear, national rules for determining which jurisdiction is permitted to tax the call, the possibility exists that the same call could be subject to taxation in multiple jurisdictions, or that a call might escape taxation all together. House Bill 355 conforms Alaska statutes to the federal Mobile Telecommunications Sourcing Act to allow for appropriate taxes and fees on wireless services.

States have until August 1, 2002 to conform their laws applicable to the taxation of wireless telecommunications to the provisions in the federal law. States failing to act by August 1st will be preempted from imposing taxes on most calls made outside of the state where the customer’s primary use occurs, so-called “roaming”.

House Bill 355 creates the concept that the customer has a “place of primary use”(PPU), which means the residential or primary business street address where the customer’s use primarily occurs. The PPU is the jurisdiction with the right to tax wireless calls. For example, a resident of Anchorage that contracts for wireless telecommunications service would designate Anchorage as her place of primary use. If she traveled to Seattle and placed a call from Seattle to Olympia during the trip, the state of Alaska and the city of Anchorage would have the authority to tax that call even though it did not originate in Alaska.

House Bill 355 conforms Alaska statutes with the federal Mobile Telecommunications Sourcing Act and allows the state of Alaska to appropriately tax wireless telecommunications services.