

Andrew Klein

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	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 469, City Hall (396-4941)
	SUBJECT	City Council Resolution # 10-0517

CITY of
BALTIMORE
MEMO



TO

The Honorable President and
Members of the City Council
C/O Karen Randle
Room 409, City Hall

DATE: May 26, 2010

Attention: Karen Randle

This bill extends the telecommunications tax to cover television connections.

Analysis

This bill levies a tax on telecommunications lines utilized for television.

Currently telecommunications lines are taxed at \$3.50, with a proposed increase to \$4.00. These lines included all phone, Centrex and cable connections that are utilized for phone services, including VOIP.

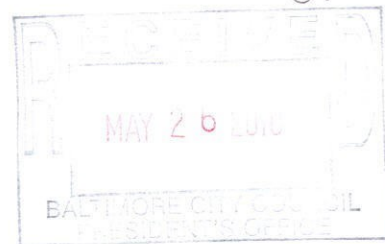
The Law Department has raised concerns about the City's authority to implement this tax under federal law. The Finance Department defers to the Law Department on these issues.

Beyond the Law Department's concerns, the bill does not define "television set." In the broadest terms, a television set could include computers and cell phones, both of which are capable of receiving account based programming over wired or wireless connections. Examples are Netflix and HULU, both of which can be viewed on cell phones, computers, and streamed to a traditional television set via devices such as Wii.

It should be noted that the City currently levies several taxes and fees on cable television products including a franchise fee, a conduit fee, a community programming subscriber fee and a VOIP telecommunications tax.

The following table provides a list of current fees and taxes levied on cable television service in Baltimore.

Comments



Comcast Charges			
Fee	Total Amount	Monthly Amount	Subscriber /Month
Subscribers 3/31/10	113,707		
Franchise Fees Paid	\$ 5,400,000	\$ 450,000	\$ 3.96
Subscriber Fee Paid	\$ 750,466	\$ 62,539	\$ 0.55
Conduit Fees Paid	\$ 822,551	\$ 68,546	\$ 0.60
Total	\$ 6,973,018	\$ 581,085	\$ 5.11

Fiscal Impact

Because the Federal Communications Commission prohibits taxing over the air broadcasts, satellite accounts would be exempt from the proposed tax. This would leave cable television service as the primary product taxed under this legislation.

Based on 113,707 cable television subscribers and a \$4.00 per month tax on each account, a total of \$5.5 million in annual revenue would be raised. For FY 2011 this total would fall to \$5.0 Million due to a one month implementation period.

Cc: Edward J. Gallagher
Angela Gibson

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