

**EXTENDING THE LOCAL
COMMUNICATION SERVICES TAX
INCREASE MORATORIUM AND A
SALES TAX EXEMPTION FOR
BROADBAND EQUIPMENT
SHOULD BE
PART OF ANY TAX RELIEF
PACKAGE THIS SESSION**

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INTRODUCTION

Wireless cell phone service and high-speed internet have certainly become necessities in the modern world. Like other necessities, consumers should not be subject to excessive taxes on cell phone services and every effort should be made to make sure Floridians have access to broadband service. The Florida Legislature has taken several positive steps in addressing these issues, including reducing the state CST rate and using state and federal programs to expand internet access. But more can be done. The combined state and local CST rate is still too high, both relative to other states and the sales tax rate Floridians pay on other types of purchases. Additionally, while Florida has helped to reduce the number of households and businesses without broadband access, there is still a significant need.

Florida TaxWatch has issued several reports on the state's Communications Services Tax (CST), highlighting how the tax rate is excessive, relative to both other states and the sales tax on the purchase of other goods.¹ This high rate makes the tax punitive and distortionary, and makes Florida less competitive with other states, including the potential for reducing investment in broadband network infrastructure. These reports have recommended that the Legislature reduce this burdensome and highly regressive tax on consumers, pointing out that due to the high rate and wide application of the tax, there may not be a better candidate to use for tax relief in Florida, both in terms of tax policy and as a way to provide savings to virtually every Florida taxpayer.

We have also issued reports on the value of broadband internet and the importance of extending it into areas that are currently unserved or underserved.² For these households and communities that currently lack access to affordable, reliable, high-quality Internet, it is much harder to fully participate in learning, work, healthcare, social services, government programs, and civic life. The COVID-19 pandemic made it even clearer the necessity of being able to connect remotely to these facets of everyday life.

Legislation (SB 1352) before the 2025 Legislature would help to keep the CST from rising any higher by extending a moratorium on increasing local CST rates. The bill would also provide a sales tax exemption for communications system equipment to help get essential internet service to those without it, as well as restoring it when a natural disaster takes it away.

The Florida Legislature is currently debating how to best provide Floridians with much needed tax relief. Any tax cut package passed this session should include these two measures.

¹ Florida TaxWatch, *Reducing the Communications Services Tax Would Provide Relief to Virtually All Florida Families and Businesses; Florida's High Tax Rate is Punitive, Distortionary, and Non-Competitive*, March 2019.

² Florida TaxWatch, *Closing the Digital Divide-The Expansion of Broadband Internet Service to Unserved Areas of the State*, January 2022.

MORATORIUM ON LOCAL CST INCREASES SHOULD BE EXTENDED

WHAT IS THE COMMUNICATIONS SERVICES TAX

The CST is levied on the sales of communications services including telephone (landline, mobile and voice over internet), cable television and other video services, and direct-to-home satellite television. Residential landline phone service is partially exempt, residential cable and satellite services are not exempt. All mobile phone service—both residential and commercial—is taxable. Pre-paid calling services (if limited to telephone service only, no internet) are not subject to the CST, but are subject to the sales tax. Internet access is exempt from taxation by federal law.

There are state and local option components to the CST, so tax rates vary across the state. The state CST is comprised of both a state tax rate (4.92 percent) and a gross receipts tax (2.52 percent).^{3,4} Local taxes vary among jurisdictions, ranging from 0.3 percent to 7.7 percent, with median rate of 5.72 percent. This puts Florida's highest combined state and local CST rate at 15.14 percent (unincorporated Alachua County).

Communications Services Tax Rate	
State CST rate	4.92%
Gross receipts additional tax rate	0.15%
Gross receipts tax rate	2.37%
Total State CST rate	7.44%
Local CST rate (rates vary)	0.3% - 7.7%
Total CST rate (highest)	15.14%

Source: Florida Department of Revenue and Florida TaxWatch

FLORIDA'S EXCESSIVE CST RATE

There are 481 jurisdictions levying the CST in Florida, making it difficult to determine a true "average" local rate. Due to the many differences in how states tax various communications services, it is difficult to compare tax rates. However, the Tax Foundation annually tracks tax rates on wireless phone services across the country. Its latest report estimates Florida's average state and local wireless tax rate at 15.1 percent, which is the 15th highest tax rate in the nation.⁵ This estimate includes wireless 911 fees⁶ which are not part of the CST. Federal taxes and fees also apply to cell phone service, and the Tax Foundation estimates those at 12.76 percent, meaning Floridians can pay taxes and fees of more than 27 percent on their wireless phone service.

³ 0.15 percent of the gross receipt rate is not applied to residential landline service.

⁴ The direct-to-home-satellite service tax rate is 11.44 percent, with no separate local tax. However, 44.1 percent of the state tax revenue from satellite service is shared with local governments.

⁵ Tax Foundation, *Excise Taxes and Fees on Wireless Services Increased 8.8 Percent in 2024*, September 19, 2024.

⁶ Limited to 50 cent per month/per line, the fee is currently 40 cents per month.



State and Local Wireless Phone Service Tax Rates						
July 2024						
1	Illinois	23.24		26	West Virginia	11.95
2	Washington	21.60		27	Louisiana	11.94
3	Arkansas	21.46		28	Minnesota	11.92
4	New York	20.57		29	Indiana	11.55
5	Nebraska	20.40		30	Kentucky	11.51
6	Kansas	18.43		31	Massachusetts	10.72
7	Utah	18.43		32	Mississippi	10.13
8	Oklahoma	18.31		33	Iowa	10.07
9	Pennsylvania	17.81		34	Michigan	10.05
10	Texas	17.47		35	New Jersey	9.31
11	South Dakota	16.70		36	Maine	9.28
12	Maryland	16.21		37	New Hampshire	9.23
13	North Dakota	15.80		38	Wyoming	9.23
14	Rhode Island	15.72		39	North Carolina	9.12
15	Florida	15.09		40	Ohio	9.03
16	Missouri	14.92		41	Oregon	8.93
17	Alaska	14.63		42	Vermont	8.90
18	Tennessee	13.97		43	Delaware	8.64
19	South Carolina	13.49		44	Connecticut	8.31
20	California	13.19		45	Wisconsin	8.23
21	Colorado	13.18		46	Hawaii	8.01
22	New Mexico	13.00		47	Virginia	7.80
23	Georgia	12.92		48	Montana	7.03
24	Arizona	12.70		49	Nevada	5.10
25	Alabama	12.64		50	Idaho	3.35
	District of Columbia	12.26			US Weighted Average	14.01%

Source: Tax Foundation. Methodology from COST, "50-State Study and Report on Telecommunications Taxation," May 2005. Updated in July 2023 using state statutes, FCC data, and local ordinances.

Only two states (California and Washington) have a higher local tax than Florida. The 2023 Legislature enacted a three-year moratorium on local governments increasing their CST. This has helped keep the rate from going higher, but the moratorium is scheduled to expire on January 1, 2026. From 2018 until the current moratorium took effect, 113 local governments increased their CST rates 134 times.

Florida's state wireless tax used to be higher. In 2014, it was 16.6 percent, the fourth highest rate in the country. The 2015 Legislature reduced the state portion of the CST by 1.73 percent.

Despite the legislative actions, Florida's total CST rate is still above the national average and is more than double Florida's average state and local sales rate of 7.0 percent. Florida's high CST raises questions about fairness, economic neutrality, its effect on the competitiveness of Florida businesses, and the attractiveness of Florida's economic climate.

The high rate of Florida's CST also increases the regressivity of the tax. Since wireless services take up a larger portion of the disposable income of low-income families, high taxes are regressive and punitive. The partial exemption for residential landlines helps the overall regressivity of the CST a bit, but the exemption does not apply to wireless or other communications services.

Low-income populations rely heavily on wireless for voice service and internet access. Wireless service is increasingly the sole means of telephone service and internet access for many Americans, especially younger people and those with lower incomes. In 2023, 75.2 percent of adults live in wireless-only households. This is up from 53.0 percent in 2017. For adults with family incomes below the poverty line, 80.0 percent are wireless only, up from 68.0 percent in 2017.⁷

High taxes on wireless and other communication services can impede the growth of wireless infrastructure and broadband networks which can in turn impede economic development and job growth.

Extending the prohibition on local governments raising CST rates would help keep Florida's already high tax from getting even more regressive, punitive, economically distortionary, and anti-competitive. In addition, it is likely whatever tax package the Legislature ends up passing will impact local taxes. The House sales tax reduction plan includes \$540 million in local taxpayer savings. Extending the moratorium can ensure local governments do not use the CST to blunt any taxpayer savings this Legislature provides.



The High Cost of Florida's CST:

- Only California and Washington exceed Florida in local tax rates.
- a three-year moratorium (in effect until January 1, 2026) has held local CST increases in check. 113 local government raised rates 134 times in the five years before the moratorium.
- Despite a 2015 cut that reduced the state wireless tax by 1,73%, Florida's overall CST remains more than double the average state and local sales tax rate (7.0%) and above the national average.
- The CST is regressive – it burdens low-income households disproportionately
- The excessive CST can make Florida and its businesses less competitive.
- Extending the moratorium could safeguard local taxpayer savings by ensuring local governments do not use the CST to blunt any tax relief this Legislature provides.

⁷ National Center for Health Statistics, *Wireless Substitution: Early Release of Estimates from the National Health Interview Survey*, July-December 2023.

SALES TAX EXEMPTION FOR BROADBAND EQUIPMENT

As discussed earlier in this report, it would be hard to overstate the benefits of having available high-speed internet. Florida has been making progress on deploying broadband to areas that do not have it, but there are still areas where it is not available. According to ArcGIS, there are more than 193,000 broadband serviceable locations in Florida that are unserved plus 93,000 that are underserved.⁸ People without high-speed internet are unable to fully participate in the economic, educational, healthcare, and social options it can provide.

People and businesses with insufficient access are even more prevalent in rural areas of the state. Rural community development is a focus of the 2025 Legislature. The “Rural Renaissance” bill (SB 110), a priority of Senate President Ben Albritton, will create “opportunities for rural communities to expand education offerings, increase health care services, and modernize commerce.”⁹ Broadband internet deployment would help achieve those goals, and the bill takes steps to do that.


Exempting broadband equipment from the sales tax also would help with the development of rural communities. Modern and efficient communications systems, especially broadband internet service, are essential for economic growth and competitiveness.

THE ECONOMIC BENEFITS OF DECREASING THE COST OF BROADBAND INVESTMENT

According to the Tax Foundation, there is a vast amount of literature showing that investments in broadband networks provide benefits to the economy, as many sectors use these networks to boost productivity and efficiency.¹⁰

In addition, multiplier effects for telecommunications infrastructure have been found to be higher than those of other industries, as they help improve business processes overall. Reducing the costs of broadband system expansion and enhancement can improve the business climate and competitiveness of the Sunshine State and create more employment opportunities.

Citing the critical productivity benefits broadband networks provide to businesses, governments, and non-profit organizations and how they are widely dispersed across the economy, the National Conference of State Legislatures issued an updated policy recommendation in 2023 urging states to consider encouraging broadband by providing a sales tax exemption for communications network equipment.



Be it therefore resolved that the National Conference of State Legislatures recommends that states who wish to encourage broadband deployment consider exempting communications network equipment from the sales and use tax.

**Resolution - NCSL Executive Committee
Task Force on State and Local Taxation**

⁸ ArcGIS, Florida Broadband Availability Map, using Federal Communications Commission data. Last accessed April 7, 2025. <https://www.arcgis.com/apps/dashboards/5594167f84fe4ed19f515a25d5713f63>

⁹ The Florida Senate, Press Release, *Senator Simon Files Legislation to Kick-Off Rural Renaissance in Florida*, February 19, 2025.

¹⁰ Tax Foundation, *Excise Taxes and Fees on Wireless Services Increased 8.8 Percent in 2024*, September 19, 2024.

MORE AND MORE STATES ARE EXEMPTING BROADBAND EQUIPMENT

Many states have recognized that taxing broadband equipment can have a negative impact on broadband network development. At least 28 states and the District of Columbia provide a total or partial sales tax exemption for broadband networks, or a refund of some taxes paid.¹¹

- Seventeen states provide a full sales tax exemption for broadband equipment to both telecom and cable providers.
- Five states (and the District of Columbia) provide an exemption for telecom but not cable providers.
- Two states provide an exemption for cable but not telecom providers.
- Alabama applies a lower sale tax rate (1.5 percent).
- Three states provide a refund of at least some sales tax paid by providers. Texas caps its rebate at \$50 million. Oklahoma and Colorado's refunds only apply to rural infrastructure and are capped at \$41 million and \$1 million, respectively.

In addition, state legislatures have filed at least 20 bills for 2025 that would create some kind of tax incentive for broadband equipment,¹² such as sales tax exemptions, property tax exemptions, and tax credits. And while more than half of the states have already exempted broadband equipment from sales taxes, at least nine states are considering sales tax exemption bills in 2025.¹³

Another problem with taxing broadband equipment is tax pyramiding, which is the imposition of a tax upon a tax. Sound tax policy suggests that sales taxes should be imposed only on final consumption, not on the goods and services that businesses use to produce the products and services they sell. Unfortunately, taxing business inputs in Florida happens often. Sales taxes paid on communications equipment will be incorporated into the price of the service sold to consumers, creating a tax on a tax. This increases the effective sales tax and communications services tax rates above their already high level. A sales tax exemption will reduce tax pyramiding and the hidden taxes paid by consumers of communications services.

CONCLUSION AND RECOMMENDATIONS

SB 1352 would extend the current moratorium on local governments increasing Communications Services Tax (CST) rates. The bill would also provide a sales tax exemption for communications system equipment to help get essential internet service to those without it, as well as restoring it when a natural disaster disables that service. This provides the 2025 Florida Legislature with an opportunity to advance two of its top priorities, providing tax relief and promoting the development of rural counties.

Florida's CST tax rate is already high, both in relation to other states and compared to Florida's sales tax rate. The average combined state and local wireless tax rate in Florida is 15.1 percent, which ranks as the 15th highest in the nation. Florida local tax is the third highest in the nation, and that keeps rising. Between 2018 and 2023, 113 of the 481 local taxing jurisdictions increase their tax rate 134 times. The 2023 Legislature passed a moratorium on local government's ability to increase CST rates and apply new local option sales tax levies to communication services. But this moratorium ends on January 1, 2026.

Florida's CST is regressive, since wireless services take up a larger portion of the disposable income of low-income families. Florida's CST rate, which more than double the state's average state and local sales tax of 7.0 percent, raises questions about fairness, economic neutrality, its effect on the competitiveness of Florida businesses, and the attractiveness of Florida's economic climate. High taxes on wireless and other communication services can also impede the growth of wireless infrastructure and broadband networks which can in turn impede economic development and job growth.

In addition to having a high CST tax rate, Florida is in the minority of state states that fully apply the sales tax to equipment used to enhance or expand communications systems. Taxing equipment can slow broadband investment and network upgrades, working against federal and state programs that actively encourage network investment. The has consequences for Florida's efforts to deploy broadband into unserved and underserved communities and promote economic development in rural counties.

¹¹ NCSL SALT Task Force, "Expanding Broadband Access via State Tax Policy," July 2022.

¹² National Conference of State Legislatures, "States Are Banking on BEAD Funds to Fill Broadband Gaps," March 13, 2025.

¹³ Florida TaxWatch, search of the NCSL Broadband Legislation Database, March 2025,

A growing number of states have recognized that taxing broadband equipment can have a negative impact on broadband network development. At least 28 states and the District of Columbia provide a total or partial sales tax exemption for broadband networks, or a refund of some taxes paid. And several more state legislatures are considering bills to do the same in 2025.

The National Conference of State Legislatures issued an updated policy recommendation in 2023 that states consider encouraging broadband by providing a sales tax exemption for communications network equipment.

In the past, Florida TaxWatch has recommended an exemption for all broadband equipment because it would maximize the promotion of investment in both existing and new networks. However, this proposed legislation provides the limitation that ensures the exemption would only apply to equipment used in restoring services to areas impacted by natural disasters or when providers are extending broadband internet services to unserved or underserved areas. This reduces the fiscal impact of the legislation. In addition, the exemption could only be obtained by a refund or taxes already paid.

Wireless cell phone service and high-speed internet have certainly become necessities in the modern world. Like other necessities, consumers should not be subject to excessive taxes on cell phone services and every effort should be made to make sure Floridians have access to broadband service.

Due to the benefits of expanding broadband networks and holding down or decreasing communications services taxes that are examined in this report, **FLORIDA TAXWATCH RECOMMENDS THAT THE 2025 FLORIDA LEGISLATURE:**

- Extend the moratorium on increasing local communications services taxes by five years, to January 1, 2031.
- Provide a sales tax exemption for communications and internet equipment that is used in an area unserved by high-speed internet or that was damaged by a natural disaster.

The Legislature is currently debating how to best provide Floridians with much needed tax relief. Any tax cut package passed this session should include these two measures.

ABOUT FLORIDA TAXWATCH

As an independent, nonpartisan, nonprofit taxpayer research institute and government watchdog, it is the mission of Florida TaxWatch to provide the taxpayers of Florida and public officials with high quality, independent research and analysis of issues related to state and local government taxation, expenditures, policies, and programs. Florida TaxWatch works to improve the productivity and accountability of Florida government. Its research recommends productivity enhancements and explains the statewide impact of fiscal and economic policies and practices on citizens and businesses.

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RESEARCH PROJECT TEAM

Kurt Wenner	Senior VP of Research Lead Author
George Kantelis	Director of Communications Layout & Design

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106 N. Bronough St
Tallahassee, FL 32301

o: 850.222.5052

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Contact Jeff Kottkamp at jkottkamp@floridataxwatch.org