

SESSION OF 2002

SUPPLEMENTAL NOTE ON SENATE BILL NO. 372

As Amended by Senate Committee on
Assessment and Taxation

Brief*

SB 372, as amended, would conform Kansas law to the federal Mobile Telecommunications Sourcing Act (MTSA). The MTSA will be in effect as of August 1, 2002. It provides for a uniform method of sourcing tax revenues from the sales of mobile transactions, thereby avoiding multiple taxation of a customer's purchase of wireless telecommunications services. Two key components of the law are establishment of a "place of primary use" and the creation of state databases assigning street addresses to state and local taxing jurisdictions.

Under the law, tax revenues from sales of wireless telecommunications services are sourced to the customer's place of primary use. This is defined as the residential or business street address of the customer, regardless of the state where the individual's calls originate, terminate, or pass through. This address also must be within the licensed service area of the customer's home service provider.

In order to facilitate the new method of sourcing, the MTSA allows for states to create a state-level database assigning each street address within the state to the appropriate set of taxing jurisdictions. Carriers using a state database are held harmless for mistakes in assigning street addresses to taxing jurisdictions. If a state chooses not to create the database, a carrier may develop a database that assigns street addresses to taxing jurisdictions using a nine-digit zip code methodology. So long as the carrier exercises due diligence in creating and maintaining the database, the carrier is held harmless under the law for any under-collected tax liability arising

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.accesskansas.org/legislature/>

from a good faith mistake in matching street addresses to taxing jurisdictions.

The effective date for SB 372 would be August 1, 2002, to correspond with the effective date of the federal law.

Background

SB 372 was introduced by the Special Committee on Assessment and Taxation after a review of the MTSA during the 2001 Interim. At that time, conferees pointed out that once the provisions of the MTSA are in effect, any benefit that Kansas has received from calls originating in Kansas by non-Kansas customers will end. Therefore, in order to offset the loss of these revenues, it will be necessary to implement the MTSA so that calls made by Kansas customers originating out-of-state will be sourced to Kansas.

The Senate Committee held a hearing on the bill, at which time proponents included representatives from Sprint, Verizon Wireless, AT&T, and Cingular Wireless. Proponents requested several amendments to the bill. However, the Committee adopted only one amendment, which changed the effective date of the bill from July 1, 2002 to August 1, 2002, to correspond with the effective date of the federal law.

The Division of the Budget reports that passage of SB 372 would not have a fiscal effect on state revenues.