

**Proposed Change to the Model City Tax Code:
"2019 Telecommunications Amendment"**

1 **Section I. Model City Tax Code Section 470 is amended as follows effective from and after**
2 **July 1, 2019.**

3
4 **Sec. ___-470. Telecommunication services.**

5 (a) The tax rate shall be at an amount equal to _____ percent (___%) of the gross
6 income from the business activity upon every person engaging or continuing in the
7 business of providing telecommunication services to consumers within this City.

8 (1) Telecommunication services shall include:

9 (A) two-way voice, sound, and/or video communication over a
10 communications channel.

11 (B) one-way voice, sound, and/or video transmission or relay over a
12 communications channel.

13 (C) facsimile transmissions.

14 (D) providing relay or repeater service.

15 (E) providing computer interface services over a communications
16 channel.

17 (F) time-sharing activities with a computer accomplished through the
18 use of a communications channel.

19 (2) Gross income from the business activity of providing telecommunication
20 services to consumers within this City shall include:

21 (A) all fees for connection to a telecommunication system.

22 (B) toll charges, charges for transmissions, and charges for other
23 telecommunications services; provided that such charges relate to
24 transmissions originating in the City and terminating in this State.

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1 (C) fees charged for access to or subscription to or membership in a
2 telecommunication system or network.

3 (D) charges for telephone, fax or Internet access services provided at
4 an additional charge by a hotel business subject to taxation under
5 Section ___-444.

6 (3) Gross income from the business activity of providing telecommunication
7 services to consumers within this City shall not include:

8 (A) charges for installation, maintenance, and repair of
9 telecommunication equipment which are subject to the provisions
10 of Sections ___-415, ___-416, or ___-417 (construction
11 contracting); ___-445 (real property rental); ___-450 (tangible
12 personal property rental); or ___-460 (retail sales); depending upon
13 the nature of the work performed.

14 (B) separately billed advertising charges which are subject to the
15 provisions of Section ___-405 (advertising) or ___-435 (publishing).

16 (4) Mobile equipment. In cases where the customer is being provided
17 telecommunication services to receiving/transmission equipment designed
18 to be mobile in nature (for example, mobile telephones, portable hand-held
19 two-way radios, paging devices, etc.), the provider shall, for the purposes
20 of the tax imposed by this Section, determine whether such provider's
21 customers are "within this City" by the billing address of the customer,
22 provided that such address is a permanent residence or business location
23 of the consumer within the State.

24 (b) Resale telecommunication services. Gross income from sales of
25 telecommunication services to another provider of telecommunication services for

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1 the purpose of providing the purchaser's customers with such service shall be
2 exempt from the tax imposed by this Section; provided, however, that such
3 purchaser is properly licensed by the City to engage in such business.

4 (c) Interstate transmissions. Charges by a provider of telecommunication services for
5 transmissions originating in the City and terminating outside the State are exempt
6 from the tax imposed by this Section.

7 (d) Tax credit offset for franchise fees. There shall be allowed as an offset, up to the
8 amount of tax due, any amounts paid to the City for license fees or franchise fees,
9 but such offset shall not be allowed against taxes imposed by any other Section of
10 this Chapter. Such offset shall not be deemed in conflict with or violation of
11 subsection ___-400(b).

12 **** (Model Option #11:**

13 (d) (Reserved)**

14 (e) (Reserved)

15 **++ (Local Option #DD:**

16 (e) However, gross income from the providing of telecommunication services by a
17 cable television system, as such system is defined in A.R.S. Section 9-505, shall
18 be exempt from the tax imposed by this Section.)++

19 (f) Prepaid calling cards. Telecommunications services purchased with a prepaid
20 calling card that are taxable under Section ___-460 are exempt from the tax
21 imposed under this Section.

22 (g) Internet access services. The gross income subject to tax under this Section shall
23 not include sales of internet access services to the person's subscribers and
24 customers. For the purposes of this subsection:

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1 (1) "Internet" means the computer and telecommunications facilities that
2 comprise the interconnected worldwide network of networks that employ
3 the transmission control protocol or internet protocol, or any predecessor
4 or successor protocol, to communicate information of all kinds by wire or
5 radio.

6 (2) "Internet Access" means a service that enables users to access content,
7 information, electronic mail or other services over the internet. Internet
8 access does not include telecommunication services provided by a
9 common carrier.

10 (h) Alarm monitoring services. The gross income subject to tax under this section shall
11 not include sales of monitoring services relating to an alarm system as defined in
12 A.R.S. Section 32-101.

13 (i) Over-The-Top services. The gross income subject to tax under this section shall
14 not include sales of over-the-top services. For the purposes of this paragraph
15 "over-the-top services" means audio or video programming services that are
16 received by the purchaser by means of an internet connection, regardless of the
17 technology used, that include linear or live programming and that are generally
18 considered comparable to programming provided by a radio or television
19 broadcast station and includes related on demand programming provided at no
20 additional charge, regardless of whether the services are provided independently
21 or packaged with other audio or video programming.

22 **Section II. Model City Tax Code Regulation 470.1 is repealed effective July 1, 2019.**

Deleted: ¶

Deleted: Reg. ___-470.1. Telecommunication services.¶

(a) . Gross income from the business activity of providing telecommunication services to consumers within this City shall not include:¶

(1) . charges for installation, maintenance, and repair of telecommunication equipment which are subject to the provisions of Sections ___-415, ___-416, or ___-417 (construction contracting); ___-445 (real property rental); ___-450 (tangible personal property rental); or ___-460 (retail sales); depending upon the nature of the work performed.¶

(2) . separately billed advertising charges which are subject to the provisions of Section ___-405 or ___-435.¶

(b) . Mobile equipment. In cases where the customer is being provided telecommunication services to receiving/transmission equipment designed to be mobile in nature (for example, mobile telephones, portable hand-held two-way radios, paging devices, etc.), the provider shall, for the purposes of the tax imposed by this Section, determine whether such provider's customers are "within this City" as follows:¶

(1) . by the billing address of the customer, provided that such address is a permanent residence or business location of the consumer within the State.¶

(2) . in all other cases, the business location of the telecommunications provider.