

LEGISLATIVE DIGEST

[Business and Tax Regulations Code - Application of Access Line Tax to Voice Over Internet Protocol Services]

Ordinance amending the Business and Tax Regulations Code to revise how the Access Line Tax (“ALT”) applies to Voice Over Internet Protocol (“VoIP”) services to require collection and remittance of the ALT on VoIP services using the lower of the number of telephone numbers provided to a subscriber and the number of calls that the subscriber can make and/or receive at the same time using those telephone numbers.

Existing Law

The Access Line Tax is imposed on persons that subscribe to telephone communications services within the City and County of San Francisco, and the tax applies to each access line within the City’s tax jurisdiction. An “access line” is broadly defined to include any connection between a customer and the telephone communications services provider. And it expressly includes the assignment of a 10-digit telephone number.

Amendments to Current Law

The ordinance would change the application of the tax with respect to voice over Internet protocol (“VoIP”) services to impose the tax on the lower of: (1) the number of 10-digit telephone numbers provided (as the law currently requires); and (2) the number of simultaneous calls the customer can make using those numbers. This change would be operative only for tax periods commencing on the first day of the month following the end of the 60-day period commencing on the date that the Tax Collector provides the written notification as required by Section 799(a)(5) of the California Public Utilities Code.

Background Information

VoIP providers often provide customers with more 10-digit telephone numbers than the customers can use to make and/or receive calls at the same time. But the Access Line Tax currently applies to each 10-digit telephone number provided. As such, if a VoIP service provider provides a customer 100 10-digit telephone numbers, but that customer can only use 25 of those telephone numbers to make and/or receive calls at the same time, the tax will still apply to all 100 access lines.

This ordinance would limit the tax on VoIP services to the number of calls that can be made and/or received at the same time. Under the proposed ordinance, on the facts in the paragraph above the tax would apply to only 25 access lines.

n:\legana\as2025\2600087\01870460.docx