



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

SN 2007(9)

25 Sigourney Street
Hartford CT 06106-5032

SPECIAL NOTICE

2007 Legislation Affecting the Gross Earnings Tax on
Community Antenna Television System Companies

Purpose: This Special Notice summarizes legislation passed during the 2007 regular session affecting the gross earnings tax on community antenna television system companies and on companies providing one-way satellite transmission of video programming to subscribers.

Effective Date: As noted below.

Statutory Authority: Conn. Gen. Stat. §§12-256, 12-258, 12-268j, and 12-80b, as amended by 2007 Conn. Pub. Acts 253, §§26-29, inclusive, and 2007 Conn. Pub. Acts 253, §33, as amended by 2007 Conn. Pub. Acts 5, §9 (June Spec. Sess.); Conn. Gen. Stat. §§16-1(a)(46) and (47), as amended by 2007 Conn. Pub. Acts 253, §1.

Definitions:

A *certified competitive video service provider (CCVSP)* is an entity providing video service under a certificate of video franchise authority issued by the Connecticut Department of Public Utility Control (DPUC) authorizing the entity to provide video service in Connecticut.

A *certificate of cable franchise authority* is a certificate that may be issued by DPUC to a community antenna television company, upon application by the community antenna television company and after a CCVSP offers video service in the community antenna television company's existing franchise area. The certificate authorizes the holder to own, lease, maintain, operate, manage, or control a community antenna television system in, under, or over any public highway; and to:

- Offer community antenna television service in a community antenna television company's designated franchise area, **or**

- Use the public rights-of-way to offer video service in the designated franchise area.

A certificate of cable franchise authority is in lieu of a certificate of public convenience and necessity under Conn. Gen. Stat. §16-331.

A certificate of video franchise authority may also be issued by DPUC to a community antenna television company, upon application by the company, authorizing the company to provide video service for any service area in which the community antenna television company was not certified to provide community antenna television service under a certificate of public convenience and necessity on or before October 1, 2007.

A certificate of video franchise authority may not be issued by DPUC to a community antenna television service company (except as noted above) issued a certificate of public convenience and necessity by DPUC under Conn. Gen. Stat. §16-331 (or the affiliates, successors and assigns of such company), or to an entity issued a certificate of cable franchise authority (or the affiliates, successors, and assignees of such entity).

Video service is video programming services provided through wireline facilities, a portion of which are located in the public right-of-way, without regard to delivery technology, including Internet protocol technology. Video service does not include video programming provided by a commercial mobile service provider; any video programming provided as part of community antenna television service in a franchise area as of October 1, 2007; or video programming provided as part of and via a service that enables users to access content, information, and electronic mail or other services over the public Internet.

Gross earnings tax extended to the gross earnings of CCVSPs: Effective July 1, 2007, the gross earnings tax on the gross earnings of community antenna television system companies and companies providing one-way transmission of video programming by satellite to Connecticut subscribers now also applies to the gross earnings of CCVSPs from transmitting video programming to Connecticut subscribers.

A CCVSP carrying on business inside and outside Connecticut must apportion its gross earnings from such services in the same manner as a company providing one-way transmission of video programming by satellite, by multiplying its gross earnings by an apportionment fraction. The numerator of the fraction is the sum of the company's number of subscribers in Connecticut on the first day and on the last day of the calendar quarter, divided by two. The denominator of the fraction is the sum of the company's number of subscribers both inside and outside Connecticut on the first day and on the last day of the calendar quarter, divided by two.

A holder of a certificate of cable franchise authority is treated as a community antenna television company, for gross earnings tax purposes. A holder of a certificate of cable franchise authority carrying on business inside and outside Connecticut must apportion its gross earnings in the same manner as a community antenna television company (multiplying the gross earnings by an apportionment fraction, with the numerator being the miles of lines operated by such person within Connecticut, and the denominator being the total miles of lines operated by such person within and outside Connecticut).

Property tax treatment of certain property used solely and exclusively in a business subject to the gross earnings tax: Effective October 1, 2007, the gross earnings tax under Chapter 211 of the Connecticut General Statutes on community antenna television companies, satellite television companies, and CCVSPs is in lieu of all property tax on tangible personal property used solely and exclusively in a business subject to the gross earnings tax by a company subject to the gross earnings tax.

Property tax treatment of certain property used to upgrade an existing telecommunications network, even if the property is used solely or in part to provide a competitive video programming service: Effective October 1, 2007, the gross earnings tax under Chapter 211 of the Connecticut General Statutes is in lieu of all property tax, for property tax assessment years beginning on October 1, 2007, October 1, 2008, and October 1, 2009, on tangible personal property acquired on or after October 1, 2007, and on or before September 30, 2010, to upgrade an existing telecommunications network, even if the property is used solely or in part to provide a competitive video programming service in a business subject to the gross earnings tax by a company subject to the gross earnings tax.

Property tax treatment of certain property used both to render telecommunications service and to render community antenna television service or a certified competitive video service: Effective October 1, 2007, the gross earnings tax under Chapter 211 of the Connecticut General Statutes is also in lieu of all property tax on part of the tangible personal property that is used both to render telecommunications service subject to Connecticut sales and use taxes and to render community antenna television service or a certified competitive video service subject to Connecticut sales and use taxes ("dual-use property").

The part of the dual-use property that is subject to property tax is in the same ratio to the assessed value for property tax purposes of the dual-use property that a taxpayer's gross receipts from rendering telecommunications service, as defined in Conn. Gen. Stat. §12-407(a)(26), bears to the sum of the taxpayer's gross receipts from rendering telecommunications service and the taxpayer's gross receipts from rendering community antenna television service, as defined in Conn. Gen. Stat. §12-407(a)(27), or a certified competitive video service, as defined in Conn. Gen. Stat. §12-407(a)(38).

The part of the dual-use property that is exempt from property tax is in the same ratio to the assessed value for property tax purposes of the dual-use property that a taxpayer's gross receipts from rendering community antenna television service, as defined in

Conn. Gen. Stat. §12-407(a)(27), or a certified competitive video service, as defined in Conn. Gen. Stat. §12-407(a)(38), bears to the sum of the taxpayer's gross receipts from rendering telecommunications service and the taxpayer's gross receipts from rendering community antenna television service, as defined in Conn. Gen. Stat. §12-407(a)(27), or a certified competitive video service.

Additional gross earnings tax imposed: An additional gross earnings tax of ½% of the gross earnings from rendering community antenna television service, video programming service by satellite, and certified competitive video service during quarterly periods beginning on or after October 1, 2007, and prior to October 1, 2009, is imposed to fund the Public, Educational, and Governmental Programming and Education Technology Investment Account in the General Fund. For quarterly periods beginning on or after October 1, 2009, the additional gross earnings tax will be reduced to ¼% of such gross earnings. (This gross earnings tax is referred to as the additional gross earnings tax because it is in addition to the regular quarterly gross earnings tax under Chapter 211 of the Connecticut General Statutes.) The additional gross earnings tax will be computed and reported on **Form 211 CSV, Cable, Satellite, and Video Gross Earnings Tax Return**. **Please note that, as of the date of issuance of this Special Notice, 2007 Conn. Pub. Acts 5, §9 (June Spec. Sess.) has not been signed by the Governor.**

Computation of gross earnings tax: While the 5% gross earnings tax on a community antenna television company, CCVSP, or satellite company is computed and reported on a different tax return (**Form 211 CATV, Community Antenna Television System Companies Gross Earnings Tax Return; Form 211 CCV, Certified Competitive Video Service Companies Gross Earnings Tax Return; or Form 211 SATV, Satellite Companies Gross Earnings Tax Return**, respectively) from the ½% gross earnings tax (which is computed and reported on Form 211 CSV), the same amount is to be reported as gross earnings on the two returns. Those gross earnings include any amount charged to subscribers to cover the two gross earnings taxes. See *Texaco Refining and Marketing Co. v. Commissioner of Revenue Services*, 202 Conn. 583, 522 A.2d 771 (1987).

Computation and collection of sales tax: If the gross earnings tax (either the 5% or ½%, or both) on a community antenna television company, CCVSP, or satellite company is passed on to subscribers, the charge for the gross earnings tax or taxes is part of the sales price on which sales tax must be collected by the community antenna television company, CCVSP, or satellite company.

Effect on Other Documents: None affected.

Effect of This Document: A Special Notice announces a new policy or practice in response to changes in state or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by the Department of Revenue Services (DRS).

For Further Information: Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only); **or**
- **860-297-5962** (from anywhere).

TTY, TDD, and Text Telephone users only may transmit inquiries anytime by calling 860-297-4911.

Forms and Publications: Forms and publications are available anytime by:

- **Internet:** Visit the DRS website at www.ct.gov/DRS to download and print Connecticut tax forms; **or**
 - **Telephone:** Call **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only) and select **Option 2** from a touch-tone phone, or call **860-297-4753** (from anywhere).
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Paperless Filing/Payment Methods (fast, easy, free, and confidential):

- **For business returns, tax payments, and electronic bill payments:** Use the **Taxpayer Service Center (TSC)** to file a variety of tax returns and extensions, as well as to pay taxes or bills over the Internet. Visit the DRS website at www.ct.gov/DRS and choose the **TSC** logo or **File/Register OnLine** for a complete list of taxes that can be electronically filed and paid.

- **For income tax returns, extensions, estimated payments, and electronic bill payments:** Use the **Taxpayer Service Center (TSC)** to file personal income tax returns and extensions, or to make estimated payments and electronic bill payments over the Internet. Visit the DRS website at **www.ct.gov/DRS** and choose the **TSC** logo or **File/Register OnLine**.

DRS E-News Service: Get connected to the latest news from DRS. Receive notification by email of changes to legislation, policies, and procedures. **DRS E-News** is easy to sign up for – visit **www.ct.gov/DRS** and follow the directions. Subscription services are available for employer’s withholding tax, **TSC-BUS** Online Filing Alerts, News – Press Releases, and Top 100 Delinquency List.

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