Information Request Results

Presented to

THE COMMUNICATIONS TAX REFORM COMMISSION

Originally Presented: May 16, 2013
Updated: June 10, 2013
Annapolis, Maryland

Bureau of Revenue Estimates
Comptroller of Maryland

Table of Contents

Introduction

The Maryland Communications Tax Reform Commission ("Commission") was created by Chapters 261 and 262, Communications Taxes – Reform Commission, during the 2012 Regular Session of the General Assembly. Included in the Commission's charge is the assessment of the "feasibility and fiscal implications for the State and local governments of a modernized, competitively neutral communications tax and fee system that eliminates disparate treatment of similar communications service providers." To aid this analysis, information on the current communications tax structure, recent communications tax and fee reform enacted by Virginia and other states, and emerging technologies in the communications industry are located at ctrc.maryland.gov.

Furthermore, the Comptroller and the State Department of Assessments and Taxation are charged with collecting data from State and local governments and communications providers to assess, and inform the Commission on, total fiscal year 2012 communications tax and fee revenue. The following report contains the results of this data collection effort, the estimated effects on consumers and revenues of enacting two reform proposals offered by Commission members, and specification of potential difficulties related to communications tax reform in Maryland – particularly in reference to the two proposals presented.

Methodology

The founding legislation tasked the Comptroller and the State Department of Assessments and Taxation with collecting data from both communications providers and local governments which remit or receive communications tax or fee revenue. Accordingly, a comprehensive information request was sent to all communications providers and local governments. Over 300 companies returned a completed information request to the Comptroller's Office which, as the communications industry is dominated by a few very large firms, provides a highly representative sample. Furthermore, every local government which receives communications tax or fee revenue returned a completed information request. This data was compiled into a database and segregated by government recipient – whether State or local – and by the communications service on which the tax or fee was levied. In fulfilling the charge of the Commission, this data has been aggregated to prevent disclosure of confidential information and is provided in the attached appendices for review.

Analysis

Currently, Maryland receives communications revenue from a myriad of taxes and fees levied on consumers and providers of telecommunications – local and long distance, wireless, and Voice-over-Internet-Protocol (VoIP) – and pay-television – cable and satellite – services. **Appendix 1** provides an overview of this tax and fee structure. The majority of these taxes and fees are enumerated on the communications bill, collected from the consumer and then remitted to the State and local governments by the provider. Only the property tax, income tax and sales tax on capital equipment are directly collected from the providers.

Information Request Results

Communications revenue totaled approximately $555.0 million in fiscal year 2012 **(Appendix 2)**. This revenue was split fairly evenly between the State and local governments, which received approximately 51.1% and 48.9% of the total, respectively. **Appendix 4** shows the total communications revenue received by the State government, as well as the percent of total State communications revenue attributable to each tax or fee type. **Appendix 5** shows the total communications revenue received by the local governments – both the counties and the municipal corporations – as well as a graph of the communications revenue received by each county and the share of total county communications revenue attributable to each tax and fee type. Of the total communications revenue that may be segregated by service type, 79.4% is attributable to telecommunications and 20.6% is attributable to pay-television. The State received a slightly greater share of total telecommunications revenue, while 84.5% of pay-television revenue was received by the local governments **(Appendix 6)**.

Under current law, certain Maryland counties are able to levy sales taxes or fees on the purchase of telecommunications services ('local telecommunications sales tax'). Only five local governments apply this tax: Montgomery County, Prince George's County, Baltimore City, Baltimore County, and Anne Arundel County; however, with collections of approximately $136.3 million, it was the greatest source of communications revenue in fiscal year 2012. The State sales tax, which is exclusively charged on wireless telecommunications, was the second largest communications revenue source, totaling approximately $132.8 million. While both of these taxes are levied on wireless telecommunications, and the local telecommunications sales tax is applied on landline telecommunications; neither of the taxes is imposed on pay-television (the State sales tax is levied on ancillary landline telecommunications and pay-television services but not on general service).

Proposals

Two reform proposals were presented by Commission members at the meeting of December 5, 2012. The first proposal, entitled '*Option 1: Comprehensive State–Local Communications Tax Reform*', suggests reforming the telecommunications and pay-television tax and fee structure by: Repealing the Public Service Company Franchise Tax levied on landline telecommunications services; reducing the State and local tax rate on telecommunications property to the rate of other communications property; exempting the purchase of communications network equipment from the State sales tax; and phasing out all local communications taxes and fees over a four-year period. It proposes implementing the State sales tax on all communications services, increasing the rate for some consumers while reducing it for others, and expanding the revenue base to satellite and other communications services, such as internet-streamed television and movies, which are currently not taxable under State law.

The second proposal, entitled *'Option 2: Reform Discriminatory Telecommunications Taxes'*, exclusively reforms the telecommunications industry. This plan includes repealing the Public Service Company Franchise Tax levied on landline phone services, reducing the State and local property tax rate applicable to telecommunications property to the rate of other communications property, exempting the purchase of telecommunications network equipment from the sales tax, and phasing out all local telecommunications taxes and fees over a four-year period. It proposes implementing the State sales tax on all telecommunications services, increasing the rate for some consumers while reducing it for others. It is estimated that both options 1 and 2 will decrease aggregate communications revenue.

Appendices 7 and 8 illustrate these proposals' effects on total annual communications revenue received by State and local governments after the complete repeal of the local taxes and fees. These tables show estimated fiscal year 2012 communications revenue under the proposed tax and fee structures, as well as these revenues relative to actual fiscal year 2012 collections. The enactment of the tax and fee structure in the first proposal would decrease aggregate State and local government revenue by approximately $73.6 million. In order to hold fiscal year 2012 revenue constant, a communications tax rate of 7.2% is required rather than the 6.0% rate proposed. Instituting the second proposal's tax and fee structure would diminish revenue to a greater extent, decreasing collections by $106.3 million in fiscal year 2012 and requiring a tax rate on telecommunications services of approximately 8.7% in order to retain the current level of communications revenue.

Appendix 9 illustrates the direct taxes and fees levied on Maryland consumers under the current structure and each proposal. The table depicts the monthly communications taxes and fees paid by a family with one landline telephone, three cell phones on a family wireless plan, and basic pay-television. Tax and fee liability depends on whether pay-television is received via cable or satellite, therefore the taxes and fees paid by the representative family is shown under both scenarios for each tax structure. In the example, current liability differs greatly by the county of residence, ranging from an effective tax rate of 4.6% to 19.1%, with the highest liability in counties that levy a local telecommunications tax or fee **(Appendix 10)**.

Baltimore City, Prince George's and Montgomery Counties levy a local telecommunications sales tax on wireless service as well as landline services and exhibit the highest effective tax rates in the example. Anne Arundel and Baltimore Counties levy a local telecommunications sales tax exclusively on landline services; residents of these two counties pay the fourth and fifth highest effective tax rates. Not surprisingly, these five counties collect the highest communications revenue per household and as a percent of total county revenue **(Appendices 11 and 12)**. The proposed reforms would appear to reduce this county based variance: all counties have an effective tax rate of 7.8% under Proposal 1 while the effective tax rate ranges from 5.5% to 8.6% under Proposal 2.

A consensus reform proposal was not put forth by the Maryland Association of Counties (MACo) nor the Maryland Municipal League (MML), rather guidelines for communications reform were jointly assembled by the two groups and disseminated to Commission members. These general principles are maintaining tax and fee distinction, current local government revenues, flexible taxation authority, local franchising and rights-of-way management, as well as that comparable services should be treated equitably and tax policy can be an incentivizing tool.

Virginia recently enacted communications tax reform in a manner similar to the proposals presented in this report, replacing a myriad of communications taxes and fees with a flat, sales tax rate equivalent, communications tax. While Virginia was able to enact such reform without significantly diminishing revenue, Virginia's pre-reform effective tax rate on communications services was lower than Maryland's current tax structure. Furthermore, Virginia's communications revenue was anticipated to diminish at a high rate over time, as wireless telecommunications, increasingly becoming a greater share of the total communications industry, was among the lowest-taxed communications services.

Possibly illustrating the fiscal differences between Virginia's reform and the estimated effect from the proposals in Maryland, the same family used in **Appendix 9**, assuming that half of the landline bill was devoted to local telecommunications and the family received pay-television service via cable, would have been liable for $13.75 in monthly taxes and fees if it resided in the highest taxing county in pre-reform Virginia. This is well below the amount that would currently be paid by the same family residing in Baltimore City, Prince George's or Montgomery Counties, where approximately 42.6% of Marylanders lived in 2012 according to the U.S. Census Bureau. As a result of these pre-reform tax structure differences, in order to enact the proposed reforms and retain the current level of communications revenue, Maryland will need to institute a communications tax rate which is higher than both Virginia's post-reform communications tax rate and Maryland's general sales tax rate.

Federal Impact on Outlook

The adoption of new technologies and forthcoming federal Congressional decisions could alter Maryland's communications revenue base in future years by a currently indeterminable, but potentially significant, amount. While the adoption of new taxable technologies which are currently not codified as taxable may cannibalize the existing communications revenue base, it is uncertain how quickly, if at all, consumers will embrace these new technologies and replace their existing means for acquiring these services. Furthermore, even if Maryland law is altered to include these services as taxable, without Congress acting to overturn the existing prohibition on obligating out-of-State sellers to collect and remit the sales tax, much of this potential revenue could remain unrealized. Another pending federal determination is the current prohibition on taxing internet access services, known as the "internet tax moratorium". If Congress does not extend this prohibition, and the moratorium expires in November of 2014, data plans, which are increasingly becoming a larger part of consumers' wireless telecommunications bill, may become subject to sales tax collections by the State and the local governments. Along with many other complicating factors, these unforeseeable future developments lead to a wide variance in potential total communications revenue collected under any tax structure, confounding the ability to accurately forecast the overall effect of reform until the course of these future outcomes becomes more transparent.

This report has been compiled by staff of the Commission for presentation at the meeting on May 16, 2013, but may not represent the views of the Commission members or staff agencies. The proposals presented in this report are those which have been tentatively offered by Commission members for preliminary analysis. If you have any questions, concerns, or comments, please do not hesitate to contact me: Andrew M. Schaufele, Director of the Bureau of Revenue Estimates and lead staff to the Communications Tax Reform Commission.

APPENDIX 1: COMMUNICATIONS TAX STRUCTURE OVERVIEW

	Telecommunications Services				Pay-Television Services	
	Local	**Long**	**Wireless**	**VoIP**	**Cable**	**Satellite**
Public Service Company Franchise Tax	Yes	Yes	No	Differs[1]	No	No
Property Tax[2]	Public Utility	Public Utility	Non-Public Utility	Differs[1]	Non-Public Utility	Non-Public Utility
State Sales and Use Tax	Some Services, Consumer Hardware, and Machinery and Equipment[3]	Some Services, Consumer Hardware, and Machinery and Equipment[3]	Yes	Some Services, Consumer Hardware, and Machinery and Equipment[3]	Some Services, Consumer Hardware, and Machinery and Equipment[4]	Some Services, Consumer Hardware, and Machinery and Equipment[4]
Income Tax	Yes	Yes	Yes	Yes	Yes	Yes
9-1-1 Surcharge	Yes	Yes	Yes	Yes	No	No
Relay Service Surcharge	Yes	Yes	Yes	Yes	No	No
Boxing and Wrestling Tax	No	No	No	No	Yes	Yes
Franchise Fees	No	No	No	No	Yes	Federally Prohibited[7]
PEG Fees	No	No	No	No	Yes	Federally Prohibited[7]
Local Sales Tax	Yes[5]	Yes[5]	Yes[5]	No[5]	Some May[6]	Federally Prohibited[7]
Other Local Taxes, Surcharges, Fees	Yes[5]	Yes[5]	Yes[5]	Yes[5]	Some May[6]	Federally Prohibited[7]

Notes:

[1)] Whether a VoIP company incurs the public service company franchise tax and is considered a public utility for property tax purposes depends on the existence of a tariff agreement with the Public Service Commission.

[2)] Public utility property is assessed according to the unit value method and real property is, generally, taxed at a rate 2.5 times higher than the real property of non-public utility companies.

[3)] Sales or use tax charged for 900-type phone calls, custom calling services provided in connection with basic telephone service (e.g. call waiting), telephone answering services, prepaid calling arrangements, hardware sold or rented to customers, and capital equipment used to provide telecommunications services.

[4)] Sales or use tax charged for pay-per-view programming, hardware sold or rented to customers for television services, and capital equipment used to provide television services.

[5)] See Appendix 1 for complete list of telecommunications taxes and fees levied by local governments.

[6)] Some counties may be able to tax cable services, but their legal authority to do so is uncertain.

[7)] Through the federal Telecommunications Act of 1996, satellite companies became exempt from collecting any local tax or fee for remittance to the local government.

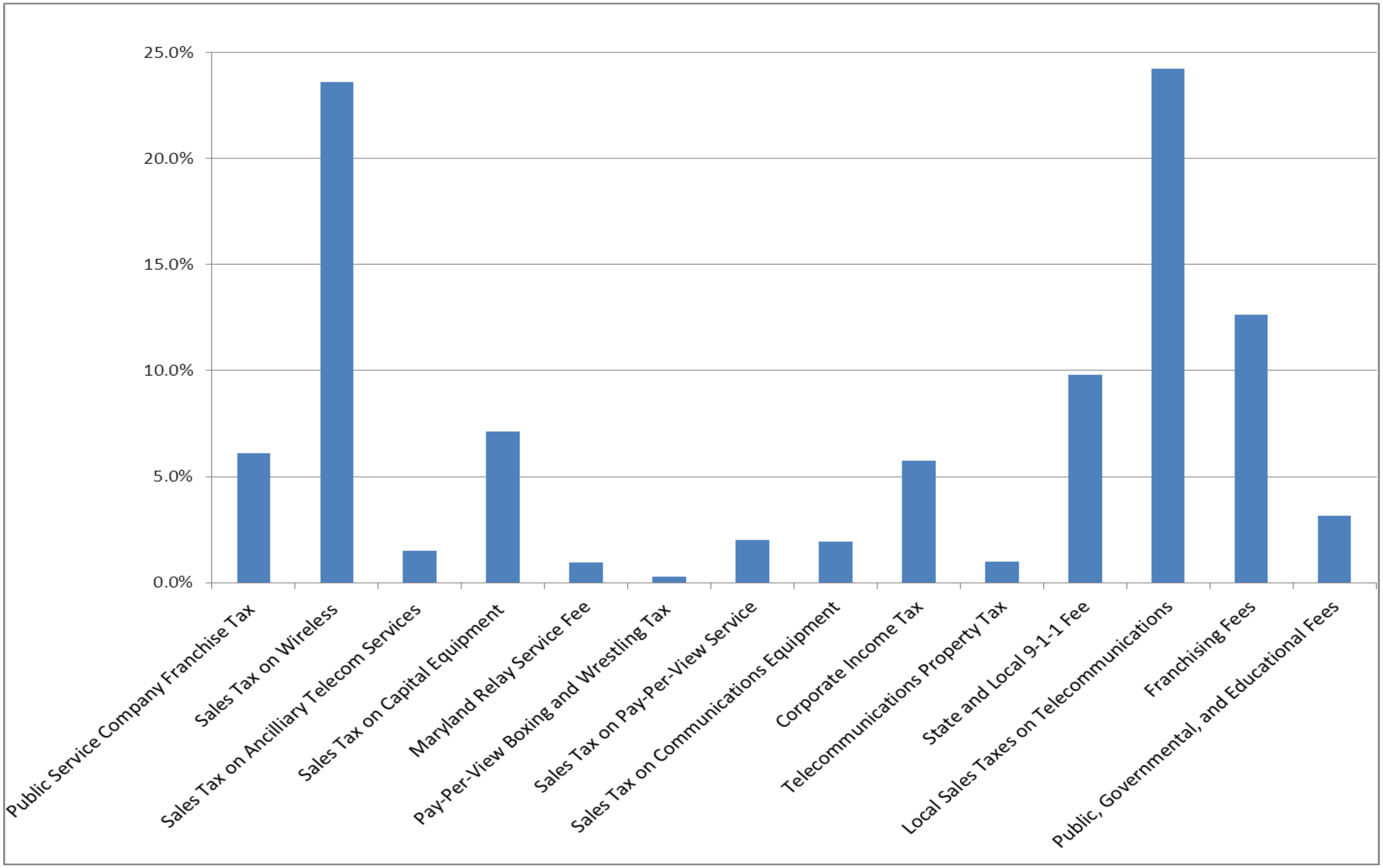
APPENDIX 2: ANNUAL COMMUNICATIONS TAX AND FEE REVENUE

Fiscal Year 2012 Survey Results

Table 2: Estimated Annual Revenue Under Current Communications Tax and Fee Structure:
Fiscal Year 2012 Survey Results

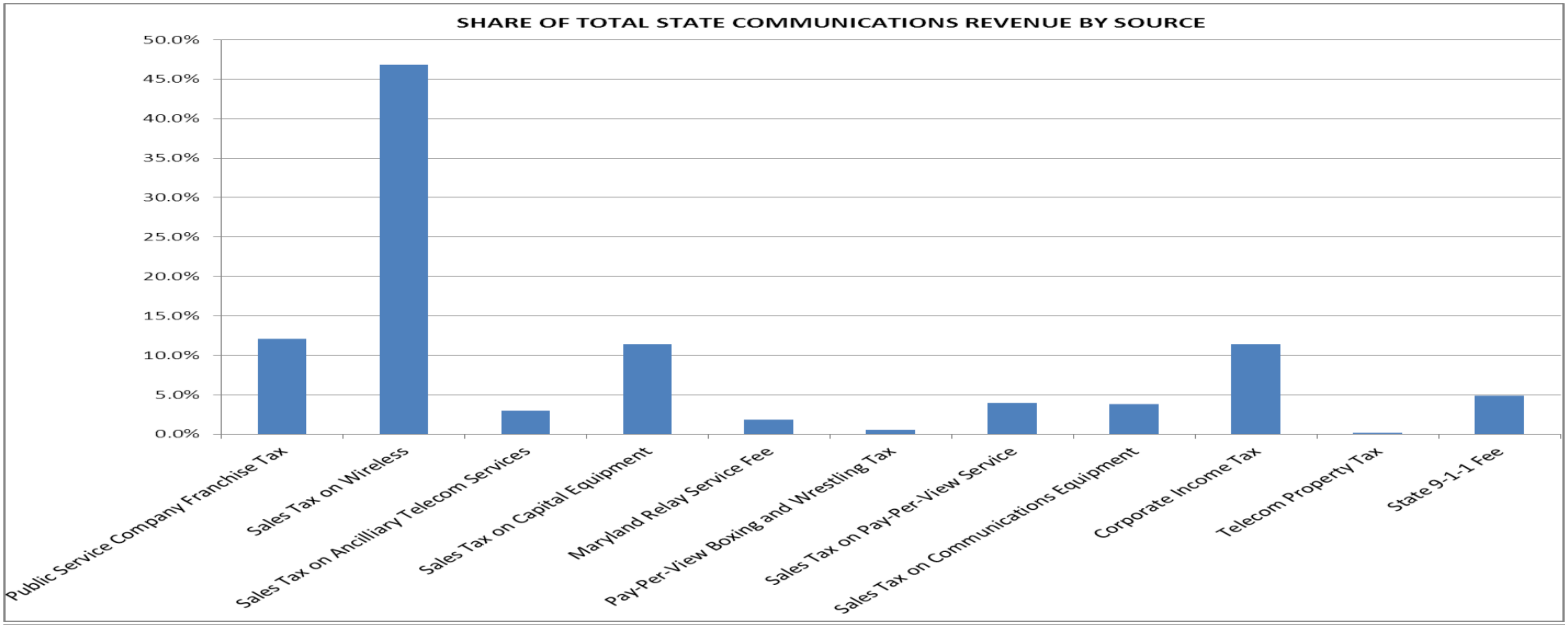
	Current Revenue
Public Service Company Franchise Tax (2%)	34,269,706
Sales Tax on Wireless (6%)	132,791,747
Sales Tax on Ancilliary Telecommunications Services (6%)	8,506,354
Sales Tax on Capital Equipment (6%)	32,329,708
Maryland Relay Service Fee ($0.18 per Account per Month)	5,289,855
Pay-Per-View Boxing and Wrestling Tax (10%)	1,630,672
Sales Tax on Pay-Per-View Service (6%)	11,277,559
Sales Tax on Communications Equipment either Rented or Sold (6%)	10,868,663
Corporate Income Tax (8.25%)	32,359,379
Telecommunications Property Tax (Only Incremental Revenue from 2.5 Times Higher Tax Rate)	
State	456,480
Local	4,835,265
State 9-1-1 Fee ($0.25 per Account per Month)	13,766,360
Local 9-1-1 Fee ($0.75 per Account per Month)	41,299,079
Local Sales Taxes on Telecommunications (Levied by Local Governments)	136,346,540
Franchising Fees (Negotiated by Local Governments)	71,197,029
Public, Governmental, and Educational Fees (Negotiated by Local Governments)	17,800,124
State Revenue	283,546,482
Local Revenue	271,478,037
Total	**555,024,519**
	Estimated Revenue
Proposal 1 Revenue (Local Telecommunications Taxes and Fees Fully Phased Out)	480,507,846
Revenue Change Relative to Current	**(74,516,672)**
Proposal 2 Revenue (Local Telecommunications Taxes and Fees Fully Phased Out)	448,737,402
Revenue Change Relative to Current	**(106,287,117)**

APPENDIX 3: SHARE OF TOTAL COMMUNICATIONS REVENUE BY SOURCE



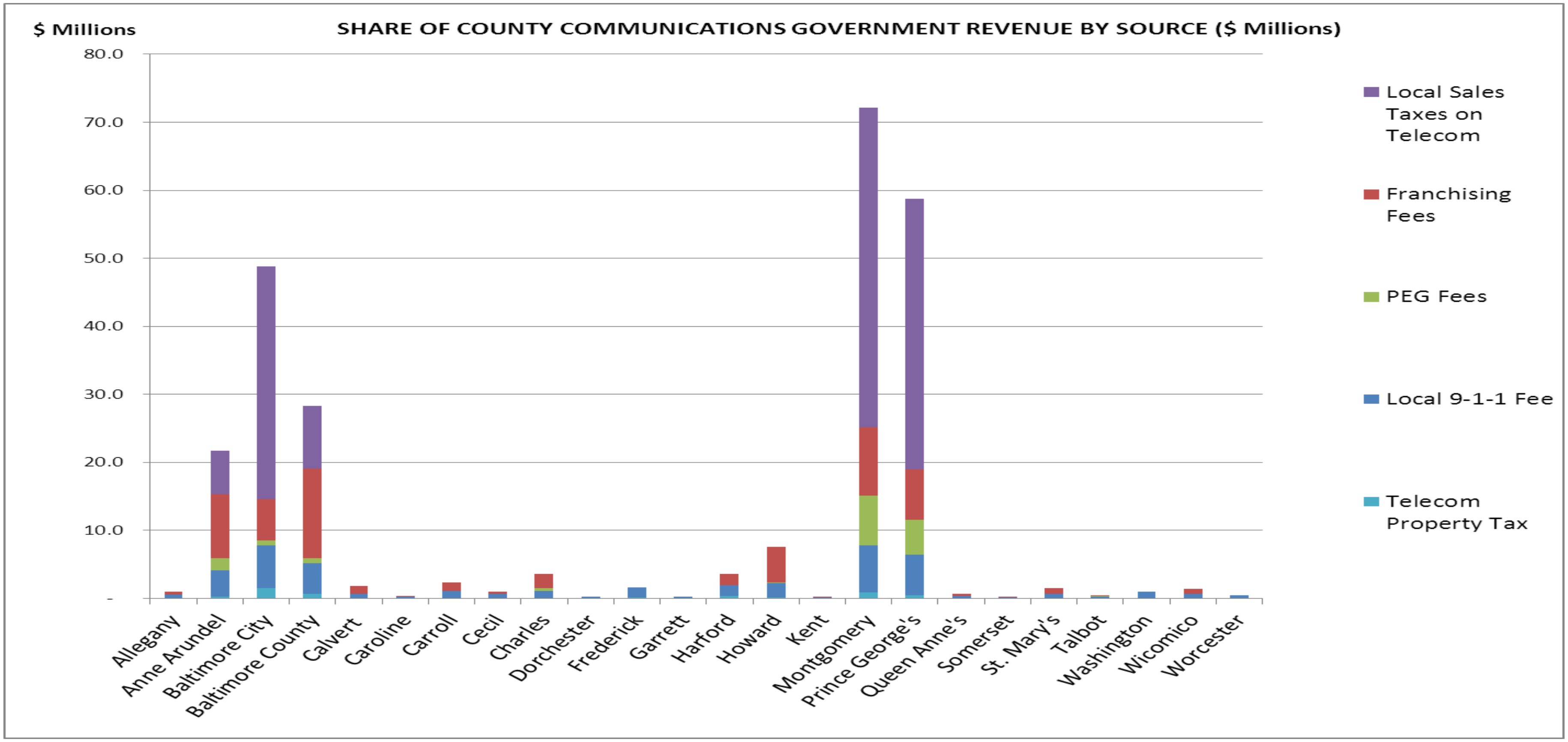
APPENDIX 4: STATE GOVERNMENT COMMUNICATIONS REVENUE

	Current Revenue
Public Service Company Franchise Tax (2%)	34,269,706
Sales Tax on Wireless (6%)	132,791,747
Sales Tax on Ancilliary Telecommunications Services (6%)	8,506,354
Sales Tax on Capital Equipment (6%)	32,329,708
Maryland Relay Service Fee ($0.18 per Account per Month)	5,289,855
Pay-Per-View Boxing and Wrestling Tax (10%)	1,630,672
Sales Tax on Pay-Per-View Service (6%)	11,277,559
Sales Tax on Communications Equipment either Rented or Sold (6%)	10,868,663
Corporate Income Tax (8.25%)	32,359,379
Telecommunications Property Tax (2.5 Times Higher Tax Rate)	456,480
State 9-1-1 Fee ($0.25 per Account per Month)	13,766,360
Total	**283,546,482**



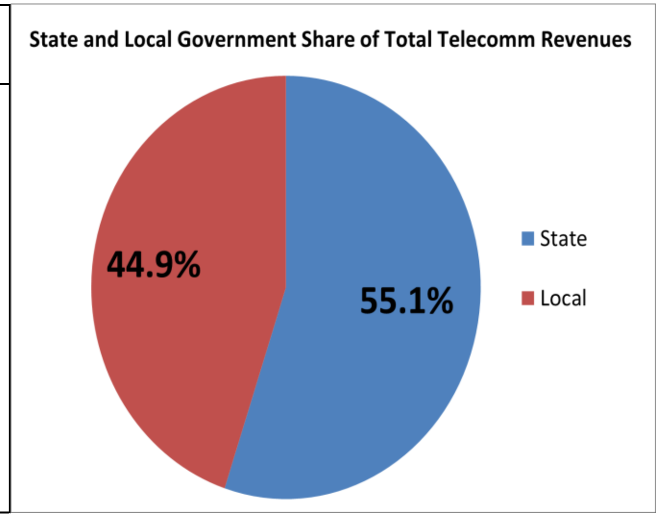
APPENDIX 5: LOCAL GOVERNMENT COMMUNICATIONS REVENUE

	Current Revenue
Telecommunications Property Tax (2.5 Times Higher Tax Rate)	4,835,265
Local 9-1-1 Fee ($0.75 per Account per Month)	41,299,079
Local Sales Taxes on Telecommunications (Levied by Local Governments)	136,346,540
Franchising Fees (Negotiated by Local Governments)	71,197,029
Public, Governmental, and Educational Fees (Negotiated by Local Governments)	17,800,124
Total	**271,478,037**

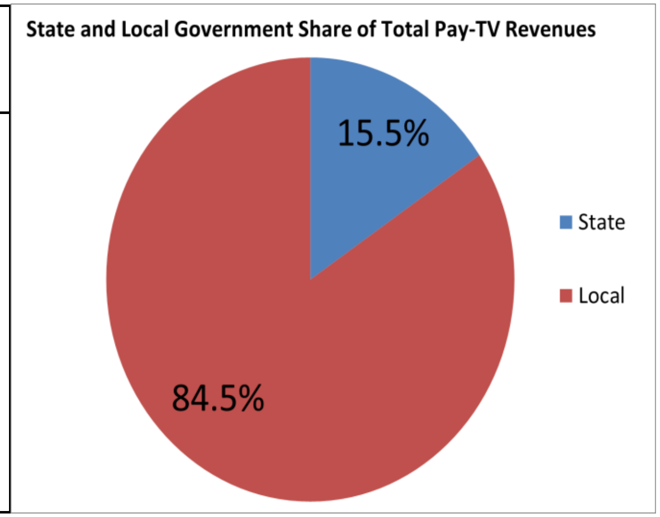


APPENDIX 6: COMMUNICATIONS REVENUE VIA TELECOMMUNICATIONS AND PAY-TELEVISION SERVICES

Telecommunications Revenue	
State	**Current Revenue**
Public Service Company Franchise Tax (2%)	34,269,706
Sales Tax on Wireless (6%)	132,791,747
Sales Tax on Ancilliary Telecommunications Services (6%)	8,506,354
Sales Tax on Capital Equipment (6%)	28,873,219
Maryland Relay Service ($0.18 per Account per Month)	5,289,855
Telecommunications Property Tax (2.5 Times Higher Tax Rate)	456,480
State 9-1-1 ($0.25 per Account per Month)	13,766,360
Total	***223,953,720***
Local	
Local Taxes on Telecommunications (Levied by Local Governments)	136,346,540
Telecommunications Property Tax (2.5 Times Higher Tax Rate)	4,835,265
Local 9-1-1 ($0.75 per Account per Month)	41,299,079
Total	***182,480,884***



Pay-Television Revenue	
State	**Current Revenue**
Sales Tax on Capital Equipment (6%)	3,456,489
Pay-Per-View Boxing and Wrestling Tax (10%)	1,630,672
Sales Tax on Pay-Per-View Services (6%)	11,277,559
Total	***16,364,719***
Local	
Franchising Fees (Negotiated by Local Governments)	71,197,029
Public, Governmental, and Educational Fees (Negotiated by Local Governments)	17,800,124
Total	***88,997,153***



APPENDIX 7: PROPOSAL #1

Proposal Description: Repeal the Public Service Company Franchise Tax levied on landline telecommunications services; reduce the tax rate on telecommunications property to the rate of other communications property; exempt the purchase of communications network equipment from the State sales tax; and phase out all local communications taxes and fees over a four-year period. Institute the State sales tax against all communications services. Proposal indicates that additional State revenue will be used to provide transitional assistance to local governments.

Proposal 1 Revenue (Local Telecommunications Taxes and Fees Fully Phased Out)	**Proposed Revenue**	**Difference vs. Current Revenue**
Replace Public Service Company Franchise Tax with Sales Tax (6%)	98,494,094	64,224,388
Retain Sales Tax on Wireless (6%)	132,791,747	-
Retain Sales Tax on Ancilliary Telecommunications Services (6%)	8,506,354	-
Remove Sales Tax on All Communications Capital Equipment (0%)	-	(32,329,708)
Retain Maryland Relay Service Fee ($0.18 per Account per Month)	5,289,855	-
Reduce Pay-Per-View Boxing and Wrestling Tax (6%)	-	(1,630,672)
Retain Sales Tax on Pay-Per-View Service (6%)	11,277,559	-
Retain Sales Tax on Communications Equipment either Rented or Sold (6%)	10,868,663	-
Retain Corporate Income Tax (8.25%)	32,359,379	-
Reduce Telecommunications Property Tax (Same Tax Rate as Other Property)		
State	-	(456,480)
Local	-	(4,835,265)
Retain State 9-1-1 Fee ($0.25 per Account per Month)	14,773,225	-
Retain Local 9-1-1 Fee ($0.00 per Account per Month)	40,292,213	-
Remove Local Sales Taxes on Telecommunications (0%)	-	(136,346,540)
Replace Franchise and PEG Fees with Sales Tax on Cable Television Service (6%)	93,021,819	4,024,666
Institute Sales Tax on Satellite Television (6%)	26,610,719	26,610,719
Institute Sales Tax on Other Currently Non-Taxable Communications Services (6%)	7,099,086	7,099,086
Total	**481,384,712**	**(73,639,807)**

Brief Analysis: The table above illustrates the total estimated fiscal year 2012 communications revenue under the tax structure of proposal 1 and this revenue relative to actual fiscal year 2012 collections. While the Public Service Company Franchise Tax is levied against governments' and non-profits' purchases, these entities are exempt from sales tax obligations; thus, applying the sales tax to landline services would shrink the applicable tax base. Counteracting this decreased base are the addition of new services – satellite television, internet-streamed television and movies –, currently untaxed VoIP service, and cable service in areas which do not currently levy fees. The revenue lost from removing the sales tax on capital equipment may vary greatly by year. Overall, total communications revenue would have been approximately $73.6 million lower in fiscal year 2012 if the proposed tax structure had been in place.

APPENDIX 8: PROPOSAL #2

Proposal Description: Exclusively reform the telecommunications industry. Repeal the Public Service Company Franchise Tax levied on landline phone services, reduce the property tax rate applicable to telecommunications property to the rate of other communications property, exempt the purchase of telecommunications network equipment from the sales tax, and phase out all local telecommunications taxes and fees over a four-year period. Implement the State sales tax on all telecommunications services. Proposal indicates that additional State revenue will be used to provide transitional assistance to local governments.

Proposal 2 Revenue (Local Telecommunications Taxes and Fees Fully Phased Out)	**Proposed Revenue**	**Difference vs. Current Revenue**
Replace Public Service Company Franchise Tax with Sales Tax (6%)	98,494,094	64,224,388
Retain Sales Tax on Wireless (6%)	132,791,747	-
Retain Sales Tax on Ancilliary Telecommunications Services (6%)	8,506,354	-
Remove Sales Tax on Only Telecommunications Capital Equipment (0%/6%)	3,456,489	(28,873,219)
Retain Maryland Relay Service Fee ($0.18 per Account per Month)	5,289,855	-
Retain Pay-Per-View Boxing and Wrestling Tax (10%)	1,630,672	-
Retain Sales Tax on Pay-Per-View Service (6%)	11,277,559	-
Retain Sales Tax on Communications Equipment either Rented or Sold (6%)	10,868,663	-
Retain Corporate Income Tax (8.25%)	32,359,379	-
Reduce Telecommunications Property Tax (Same Tax Rate as Other Property)		
State	-	(456,480)
Local	-	(4,835,265)
Retain State 9-1-1 Fee ($0.25 per Account per Month)	14,773,225	-
Retain Local 9-1-1 Fee ($0.00 per Account per Month)	40,292,213	-
Remove Local Sales Taxes on Telecommunications (0%)	-	(136,346,540)
Retain Franchising Fees (Negotiated by Local Governments)	71,197,029	-
Retain Public, Governmental, and Educational Fees (Negotiated by Local Governments)	17,800,124	-
Total	**448,737,402**	**(106,287,117)**

Brief Analysis: The table above illustrates the total estimated fiscal year 2012 communications revenue under the tax structure of proposal 2 and this revenue relative to actual fiscal year 2012 collections. While the Public Service Company Franchise Tax is levied against governments' and non-profits' purchases, these entities are exempt from sales tax obligations; thus, applying the sales tax to landline services would shrink the applicable tax base. Counteracting this decreased base is the addition of currently untaxed VoIP service. The revenue lost from removing the sales tax on capital equipment may vary greatly by year. Overall, total communications revenue would have been approximately $106.3 million lower in fiscal year 2012 if the proposed tax structure had been fully instituted.

APPENDIX 9: MONTHLY CONSUMER EFFECT

Monthly Direct Communications Taxes and Fees Incurred: Family of three with one landline phone account for $30.00 per month; three cell phones on family plan for $50.00 per month; and, one basic television plan for $50.00 per month.

	Current		Proposal #1		Proposal #2	
	Family Recieves TV via Cable	Family Recieves TV via Satellite	Family Recieves TV via Cable	Family Recieves TV via Satellite	Family Recieves TV via Cable	Family Recieves TV via Satellite
Allegany County	$ 8.46	$ 5.96	$ 10.16	$ 10.16	$ 9.66	$ 7.16
Anne Arundel County	11.36	8.36	10.16	10.16	10.16	7.16
Baltimore City	24.78	21.96	10.16	10.16	9.98	7.16
Baltimore County	11.52	8.36	10.16	10.16	10.32	7.16
Calvert County	8.46	5.96	10.16	10.16	9.66	7.16
Caroline County	8.46	5.96	10.16	10.16	9.66	7.16
Carroll County	8.46	5.96	10.16	10.16	9.66	7.16
Cecil County	8.46	5.96	10.16	10.16	9.66	7.16
Charles County	8.96	5.96	10.16	10.16	10.16	7.16
Dorchester County	N/A	5.96	N/A	10.16	N/A	7.16
Frederick County	5.96	5.96	10.16	10.16	7.16	7.16
Garrett County	5.96	5.96	10.16	10.16	7.16	7.16
Harford County	7.46	5.96	10.16	10.16	8.66	7.16
Howard County	8.66	5.96	10.16	10.16	9.86	7.16
Kent County	8.46	5.96	10.16	10.16	9.66	7.16
Montgomery County	22.46	18.46	10.16	10.16	11.16	7.16
Prince George's County	16.36	12.36	10.16	10.16	11.16	7.16
Queen Anne's County	8.46	5.96	10.16	10.16	9.66	7.16
Somerset County	7.46	5.96	10.16	10.16	8.66	7.16
St. Mary's County	8.46	5.96	10.16	10.16	9.66	7.16
Talbot County	6.96	5.96	10.16	10.16	8.16	7.16
Washington County	N/A	5.96	N/A	10.16	N/A	7.16
Wicomico County	8.46	5.96	10.16	10.16	9.66	7.16
Worcester County	N/A	5.96	N/A	10.16	N/A	7.16

Note: Cable Service is Only Available in Certain Municipal Corporations and Cities within Dorchester, Washington and Worcester Counties.

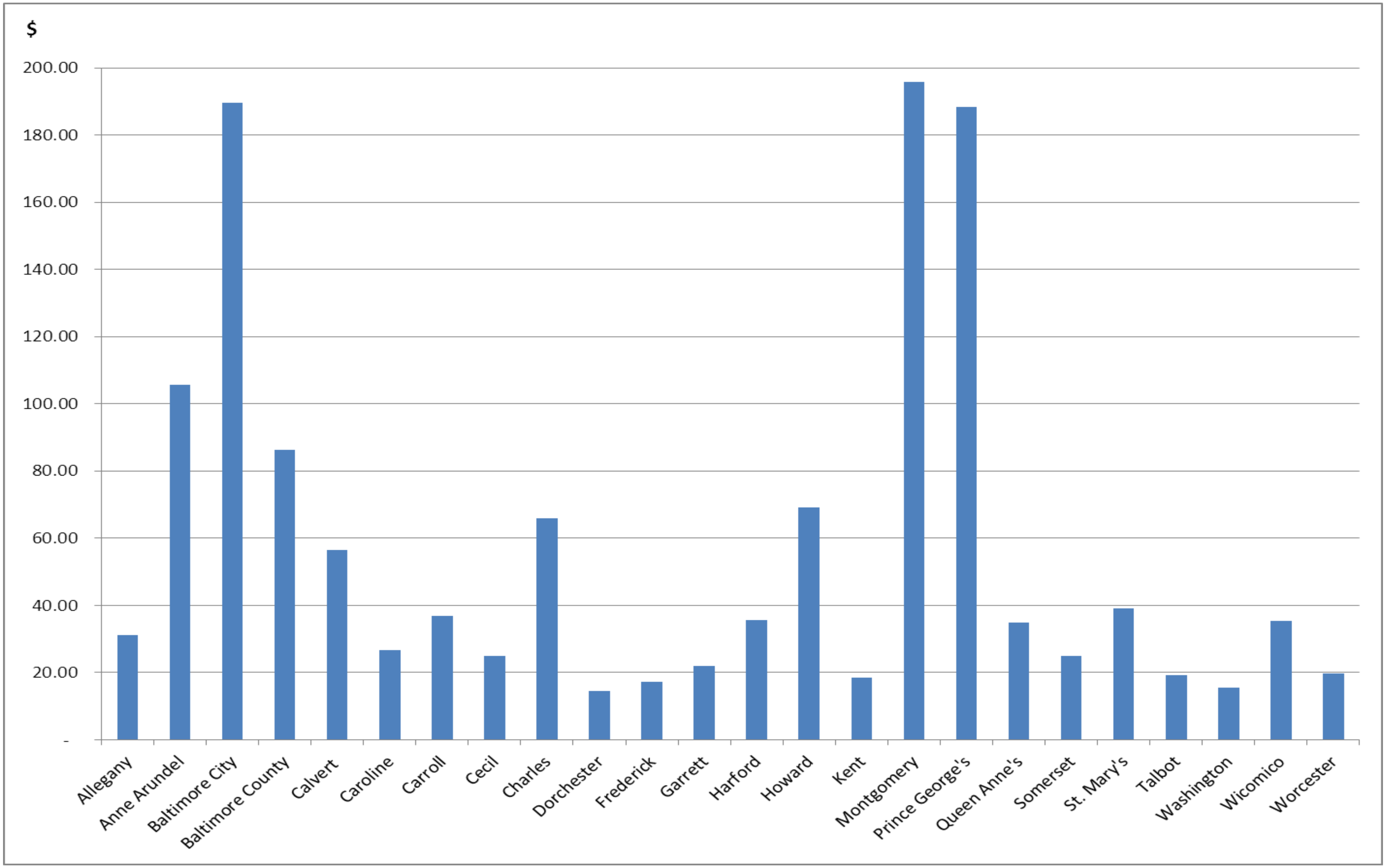
APPENDIX 10: EFFECTIVE TAX RATE CONSUMER EFFECT

Effective Tax Rate of Direct Communications Taxes and Fees Incurred: Family of three with one landline phone account for $30.00 per month; three cell phones on family plan for $50.00 per month; and, one basic television plan for $50.00 per month.

	Current		Proposal #1		Proposal #2	
	Family Recieves TV via Cable	Family Recieves TV via Satellite	Family Recieves TV via Cable	Family Recieves TV via Satellite	Family Recieves TV via Cable	Family Recieves TV via Satellite
Allegany County	6.5%	4.6%	7.8%	7.8%	7.4%	5.5%
Anne Arundel County	8.7%	6.4%	7.8%	7.8%	7.8%	5.5%
Baltimore City	19.1%	16.9%	7.8%	7.8%	7.7%	5.5%
Baltimore County	8.9%	6.4%	7.8%	7.8%	7.9%	5.5%
Calvert County	6.5%	4.6%	7.8%	7.8%	7.4%	5.5%
Caroline County	6.5%	4.6%	7.8%	7.8%	7.4%	5.5%
Carroll County	6.5%	4.6%	7.8%	7.8%	7.4%	5.5%
Cecil County	6.5%	4.6%	7.8%	7.8%	7.4%	5.5%
Charles County	6.9%	4.6%	7.8%	7.8%	7.8%	5.5%
Dorchester County	N/A	4.6%	N/A	7.8%	N/A	5.5%
Frederick County	4.6%	4.6%	7.8%	7.8%	5.5%	5.5%
Garrett County	4.6%	4.6%	7.8%	7.8%	5.5%	5.5%
Harford County	5.7%	4.6%	7.8%	7.8%	6.7%	5.5%
Howard County	6.7%	4.6%	7.8%	7.8%	7.6%	5.5%
Kent County	6.5%	4.6%	7.8%	7.8%	7.4%	5.5%
Montgomery County	17.3%	14.2%	7.8%	7.8%	8.6%	5.5%
Prince George's County	12.6%	9.5%	7.8%	7.8%	8.6%	5.5%
Queen Anne's County	6.5%	4.6%	7.8%	7.8%	7.4%	5.5%
Somerset County	5.7%	4.6%	7.8%	7.8%	6.7%	5.5%
St. Mary's County	6.5%	4.6%	7.8%	7.8%	7.4%	5.5%
Talbot County	5.4%	4.6%	7.8%	7.8%	6.3%	5.5%
Washington County	N/A	4.6%	N/A	7.8%	N/A	5.5%
Wicomico County	6.5%	4.6%	7.8%	7.8%	7.4%	5.5%
Worcester County	N/A	4.6%	N/A	7.8%	N/A	5.5%

Note: Cable Service is Only Available in Certain Municipal Corporations and Cities within Dorchester, Washington and Worcester Counties.

APPENDIX 11: PER HOUSEHOLD COUNTY COMMUNICATIONS REVENUE



APPENDIX 12: COUNTY COMMUNICATIONS REVENUE AS PERCENT OF TOTAL FISCAL YEAR 2011 REVENUE