



Dear Members of the General Assembly:

On behalf of the members of our respective organizations, we are writing to urge you to oppose the diversion of local communications sales and use tax revenues contained in the House of Delegate's proposed budget from local governments to the state's obligations.

In 2006, the Virginia General Assembly passed a sweeping reform of communications taxes in the Commonwealth. The industry strongly supported this overhaul as it addressed a host of problems including a patchwork of local tax rates that communications companies were calculating and remitting each month to hundreds of localities. Now, Virginia has a simple, statewide 5 percent levy on all communications services that is applied equally in all localities to all technologies including traditional landline telephone, Internet phone (VoIP), wireless, cable and satellite.

Virginia was at the forefront of this modernization of the tax code, but the reform did not come easily. Localities support for this effort was at times lukewarm. While most localities clearly understood the fundamental need for change, they were skeptical about how this change could affect this revenue stream upon which they had long relied.

Among the concerns some local governments expressed was that having the state collect then distribute the tax to each locality rather than each locality collecting the tax themselves could put the localities at risk of losing the revenue to some other priority of state government. This was especially a concern in light of how local cable franchise fees, consumer utility taxes, and a substantial portion of the local 911 fees were subsumed by this state communications sales and use tax. Through negotiation and reassurances provided by members of the legislature, most local governments ultimately supported the legislation.

Unfortunately, language contained in the House budget causes localities to lose this committed revenue. Our organizations respectfully request that you honor the commitments made to local governments in 2006 by rejecting the proposal in the House budget and restoring this revenue to local governments.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dumont A. Walton'.

Duront A. Walton  
Executive Director  
Virginia Telecommunications Industry Association

A handwritten signature in black ink, appearing to read 'Ray LaMura'.

Ray LaMura  
President  
Virginia Cable Telecommunications Association