



Billions Collected, Zero Accountability

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Florida's taxation of communications services has spiraled out of control. What began as an attempt to streamline the taxes on communications providers has morphed into a revenue grab, targeting the modern economy's fastest-growing industries. The Communications Services Tax (CST), established in 2001, was intended to simplify a convoluted tax system

by merging seven different state and local taxes into one.¹ But rather than focusing on telecommunications, as originally intended, the CST has expanded dramatically, dragging new digital services into its web and burdening consumers with some of the highest tax rates in the state.

When the legislature passed the Communications Services Tax, they deliberately

kept the language of what constitutes a “communication service” vague.² This flexibility allowed the state to respond to declining revenues by expanding the tax base. Accordingly, as revenues from traditional phone and TV services fell, Florida routinely broadened the CST to encompass digital services that were inconceivable when the tax was created.³ Today, streaming platforms like Netflix, Hulu, Spotify, and Apple Music are subject to the CST. Even Cameo and certain online learning platforms are now caught in this ever-expanding tax.⁴

The cost is staggering. The CST consists of a state rate of 7.44% and a local CST that varies among Florida’s 481 jurisdictions.⁵ In some areas, like Sanford, the combined tax rate can hit a staggering 15%, dwarfing Florida’s 6% sales tax.⁶ For consumers with multiple digital subscriptions, wireless lines, and broadband, these small charges on each bill can quickly add up, making the tax burden even heavier.

Unlike many other states, Florida aggressively targets digital services with this tax. Thirty-three of the forty-five states that collect sales tax include communication services under their sales tax, often at much lower rates.⁷ For example, although Connecticut taxes digital services, they only add a 1% tax for streaming services on top of their 6.35% sales tax.⁸ Florida’s inflated rate, on the other hand, is disproportionately higher than what consumers pay for other essential goods and services.

The local CST generates approximately \$373 million annually for cities in Florida.⁹ Despite this substantial revenue, there’s no requirement that these funds be used to improve the communications infrastructure

that it taxes. Instead, CST revenue flows into the General Revenue Fund, where it can be used for “any public purpose”.¹⁰ This lack of accountability means the money isn’t being reinvested into the digital infrastructure that supports the very services being taxed—leaving consumers and the private sector to bear the cost.

While the high tax rates often draw the most attention, the real issue is the complete lack of transparency in how the revenue is spent. Despite targeting a specific segment of the economy, CST revenue isn’t earmarked for communications projects. This stands in stark contrast to how other targeted taxes work. For comparison, fuel taxes fund road work. Tobacco taxes support health programs. But the CST evades this logic. Floridians are left paying inflated taxes on digital services with no indication that the funds are being used to improve the very systems that support those services.

While the Florida League of Cities claims that the tax is a key source of funding for local services like police, fire departments, and infrastructure projects, this assertion is impossible to verify.¹¹ While it’s possible to track how much CST money is collected by the state and local governments, there is no detailed public accounting of where that money actually goes. Municipal governments also have no obligation to reinvest this revenue in vital communication infrastructure, such as inspecting public rights of way after cable companies deploy fiber optic cable for broadband or ensuring permits are processed promptly.

Without accountability, taxpayers can’t be sure their money is being spent efficiently or effectively.

This lack of transparency erodes public trust and raises serious concerns about fiscal responsibility. When a tax is imposed, particularly one as expansive and financially significant as the CST, taxpayers deserve to know exactly how much is being collected and how those funds are being allocated. The CST falls short in this regard, making it difficult to trust that the tax serves any purpose other than as a broad-based revenue stream.

Florida's CST is effectively a tax on innovation, levied not because it should be, but because it can be. At a time when more people than ever rely on digital services for

work, education, and entertainment, the state is penalizing the very technologies that are driving economic growth.

For the CST to be fair, it must be accountable. At a minimum, Floridians should be able to see how much CST revenue is being allocated to specific projects or municipal services. Without this clarity, the tax risks becoming a bloated, inefficient tool that burdens consumers without delivering any tangible benefit in return.

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ENDNOTES

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