



**Testimony of
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CTIA**

In Opposition to North Dakota HB 1096

Before the House Finance and Taxation Committee

January 8, 2025

Chairman Headland, Vice Chair Hagert, and members of the House Finance and Taxation Committee, on behalf of CTIA®, the trade association for the wireless communications industry, I submit this testimony in opposition to House Bill 1096, which would reduce the amount communications service providers may retain for costs of collection of the 911 fee and any telephone exchange access service provider charges for 911 database management.

The wireless industry fully supports and partners with North Dakota public safety providers, including providing interoperable services in furtherance of public safety efforts. As technologies and tax systems continue to evolve, communications taxes involve intricate calculations across federal, state, and local jurisdictions, requiring significant administrative efforts to ensure compliance and accuracy. Allowing accessed communication service providers to retain actual costs for administration and 911 database management is essential for efficient and accurate tax administration.



Administering 911 fees and managing databases involves significant operational expenses, such as software maintenance and staff support. Typical accounting sales and use tax engines are not built to handle the complex tax and fee needs of telecommunications providers. Most billing systems and sales tax engines cannot handle the compliance needs of telecommunications businesses. This results in our members requiring specialized software to automate calculations, streamline billing, and generate accurate returns, based specifically on how communications are taxed. Retaining costs ensures our members can cover these added costs without unfair financial strain. Furthermore, telecom providers face a competitive disadvantage compared to typical retailers due to the numerous industry-specific fees and surcharges that inflate our prices and require significant administrative efforts to manage accurately. Given these unique burdens, it is reasonable for telecom providers to recoup a larger portion of administrative costs.

North Dakota does not apply the 911 fee at the state level on postpaid plans. Instead, wireless providers are required to track the passage of county ordinances, collect and remit fees, and file returns for the state's 53 counties. This adds significant administrative expense as compared to most states that impose wireless 911 fees at the state level, which North Dakota requires for remittance of its state-level prepaid wireless emergency 911 fee. Wireless providers collect and remit most of the \$19 million in annual 911 fees collected in North Dakota. These fees are collected and remitted at the expense of telecommunications providers without requiring the Counties to incur any costs.



Most states include vendor compensation provisions that are above the proposed one percent rate – including North Dakota in respect to its prepaid wireless emergency 911 fee where the vendor compensation is three percent. The prepaid wireless emergency 911 fee is a uniform statewide rate and is centrally remitted to the Office of the State Tax Commissioner. This tax regime is easier for sellers to administer and comply with, yet sellers are still allowed to retain three percent of the fees collected to offset the costs of administration. Allowing wireless providers to retain five percent as vendor compensation motivates wireless providers to maintain accurate databases and efficiently collect fees, which are critical for reliable emergency services and to ensure each county gets their respective share of 911 fees attributable to wireless customers in the county.

The wireless industry remains committed to working with public safety officials to help ensure that 911 service is a coordinated and collaborative operation between the private and public sectors to provide quality 911 service. With the growing complexities of federal, state, and local telecommunications taxes, allowing for assessed communications service providers to retain the actual costs of administration in the collection of the 911 fee and 911 database management is critical to ensure efficient tax collection that doesn't unfairly place the burden on our members. For these reasons, CTIA respectfully opposes HB 1096. Thank you for the opportunity to share our concerns and for your consideration.