UPDATE

FOR

VIDEO STREAMING SERVICE PROVIDERS

Effective July 1, 2019, House Bill 354 enacted by the 2019 Kentucky General Assembly, amended the definition of multichannel video programming service to include video streaming services for the Utility Gross Receipts License Tax and the Kentucky Telecommunications Tax. As amended, KRS 136.602 (8) defines a “multi-channel video programming service” as, *“…live, scheduled, or on-demand programming provided by or generally considered comparable or in competition with programming provided by a television broadcast station and shall include but not be limited to:*

*(a) Cable service;*

*(b) Satellite broadcast and wireless cable service;*

*(c) Internet protocol television provided through wireline facilities without regard to delivery technology; and*

***(d) Video streaming services.”***

This legislation further defines the term “video streaming services” as “*programming that streams live events, movies, syndicated and television programming, or other audio-visual content over the Internet for viewing on a television or other electronic device with or without regard to a particular viewing schedule*.”

**Applicable Tax Rates and Base**

Video streaming services provided to Kentucky customers are subject to the 3% excise tax (KRS 136.604) and the 2.4% gross revenues tax (KRS 136.616) (KY telecommunications taxes) as well as the school tax imposed at a local school district rate not to exceed 3% (KRS 160.614) billed on or after July 1, 2019. Furthermore, there is no deduction for the 2.4% gross revenues tax under KRS Chapter 136 from gross receipts subject to the school tax in KRS Chapter 160 since the imposition of the gross revenues tax is not upon the customer. See calculation example below:

Video Streaming Charge: $12.95

3% Telecom Excise Tax: (.03 x $12.95) 0.39

2.4% Gross Revenue Tax: (.024 x $12.95) 0.31

3% UGRLT: (.03 x $12.95 = $0.33) + (.03 x $0.31 = $0.01) \_\_0.34

**TOTAL $13.99**

**Sourcing**

Per KRS 136.604 (3) *“Providers shall source multichannel video programming services to the end user's place of primary use.”* “Place of Primary Use” is defined under KRS 136.602 as *“the street address where the end user's use of the multichannel video programming service primarily occurs.”* To be compliant with this requirement for the school tax, streaming service providers should allocate gross receipts to the school district in which the customer’s primary street address is located.

**School Tax Allocation**

Gross receipts from streaming services are to be reported using the rates for cable and not for utility services. Not all school districts impose the UGRLT on cable services. Therefore, reporting the gross receipts as a utility rather than cable may result in an overpayment of tax. Part II, Allocation Schedule, of the monthly return, allows the user to choose the “District Name” and “Service Type” where the gross receipts are to be allocated. For video streaming services, choose the “CABLE” service type. The “CABLE” service type will not be available for school districts that do not impose the tax on cable services.

EXAMPLE:

