



TACIR

The Tennessee Advisory Commission
on Intergovernmental Relations



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MEMORANDUM

TO: Commission Members

FROM: Cliff Lippard *Cliff*
Executive Director

DATE: 13 December 2018

SUBJECT: Cord Cutting and Local Government Revenue

At the January 26, 2018, commission meeting, then-chairman Mark Norris requested a study of the effects of cord cutting on the market for cable television services and local government revenues in Tennessee. Cord cutting commonly refers to the practice of canceling or forgoing a traditional cable or satellite television subscription, sometimes, though not always, in favor of subscribing to video entertainment options provided over the internet. It is among a number of issues affecting the broader market for television and video entertainment services as the options available to consumers and the methods for delivering content to them continue to evolve.

This study examines factors affecting television and video entertainment services in Tennessee; whether changes in this market are affecting local government revenues; and whether any changes are warranted in the state's tax laws, cable franchising laws, or related laws governing processes for deploying infrastructure in public rights of way.

Today's update provides background information both on the taxation of cable television, satellite television, and their internet-based alternatives and on the laws governing cable television franchises in Tennessee. You will hear presentations from

- Sherry Hathaway, Director, Tax Policy and Development Office, Tennessee Department of Revenue;
- Jerry Kettles, Director of Economic Analysis, Tennessee Public Utility Commission; and
- John Hutton, Telecom/Utilities Consultant, Tennessee Public Utility Commission.