[Bond Case Briefs]

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[DIRECTV v. Utah State Tax Com'n]

Supreme Court of Utah - December 14, 2015 - P.3d - 2015 WL 9016406 - 2015 UT 93

Satellite television providers brought a constitutional challenge to Utah's pay-TV sales tax scheme. The scheme provides a sales tax credit for "an amount equal to 50%" of the franchise fees paid by pay-TV providers to local municipalities for use of their public rights-of-way. Not all pay-TV providers pay franchise fees, however. Cable providers employ a business model that triggers franchise fees (and, by extension, the tax credit); satellite providers use a different model that triggers no such fees (or credit).

The satellite providers filed suit, asserting that Utah's tax scheme unconstitutionally favors local economic interests at the expense of interstate commerce. In this challenge, the satellite providers assert claims under the dormant Commerce Clause of the U.S. Constitution and the Uniform Operation of Laws Clause of the Utah Constitution.

The Fourth District Court dismissed claims. Satellite providers appealed.

The Supreme Court of Utah held that:

- Tax credit did not violate dormant Commerce Clause, and
- Credit did not violate Uniform Operation of Laws Clause of State Constitution.

State did not violate dormant Commerce Clause by providing sales tax credit in amount equal to 50% of franchise fees paid by pay-television providers to local municipalities for use of their public rights-of-way, even though cable providers benefited from credit and satellite providers did not. Credit provided no benefits to business entities based in state at expense of those who were not, and credit was triggered only by a company's self-chosen business model.

State did not violate Uniform Operation of Laws Clause of State Constitution by providing sales tax credit in amount equal to 50% of franchise fees paid by pay-television providers to local municipalities for use of their public rights-of-way, even though cable providers benefited from credit and satellite providers did not. State had a rational basis for limiting tax credit to cable providers because only cable companies incurred franchise fees.