

Tue June 5, 2007

Telecom, cable consumers dial up hefty sales taxes

*By Jim Stafford
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The tax burden on U.S. telephone and cable television subscribers averages \$20.51 per month, or 13.52 percent of the average combined monthly bill of \$151.67, according to a newly released study.

Consumers of telephone and cable services pay taxes and fees that are twice as high as the average sales tax on other products, the Heartland and Beacon Hill institutes said in a news release.

The average U.S. household pays about \$250 a year in taxes and fees on cable TV and telephone services, the study revealed.

"Consumers pay more than \$37 billion a year in communication taxes and fees, said co-author David Duerck, executive director of the Beacon Hill Institute and professor and chairman of the Department of Economics at Suffolk University in Boston.

"Many of these taxes and fees are hidden in phone and cable bills. Because they are so high, they distort consumer decisions and business investment decisions, costing billions more every year in lost consumer benefits."

The study looked at fees and taxes imposed on consumers in 59 cities, although none were in Oklahoma. The study concluded that consumers pay an average tax rate of 11.69 percent on cable television services, 17.23 percent on wireline telephone and 11.78 percent on wireless telephone services.

Internet users pay much lower taxes, averaging only 0.71 percent, or 26 cents on the average monthly bill of \$36.50.

If fees and taxes were reduced to the same general sales tax rate of clothing, sporting goods and household products, consumers would save \$125.76 a year, the study concluded.

Payments called 'out of sync'

"This study, like many before it, clearly outlines the extraordinary burden that communications customers are required to pay — an amount that is out of sync with what is placed on many other industry sectors," AT&T Oklahoma spokesman Andy Morgan said. "It certainly demonstrates that relief is needed in this sector where telecom consumers are being unfairly loaded down with too many fees."

In Oklahoma City, cable subscribers pay a 5 percent franchise fee on their cable bill, said Marsha Ingersoll, assistant director of public information and marketing for the city of Oklahoma City. Fees on advertising and other revenue also may be passed on to the consumers, she said.

"Cox may figure out maybe they had a million in sales that they are going to pay revenue (fees) on, and they divide that by the number of subscribers and they get an amount, 24 or 25 cents per subscriber maybe, and they tack that on," Ingersoll said. "So when the subscriber gets their franchise fee it could be 6-7 percent."

Consumers in Oklahoma City don't pay any fees on public, education and government local access channels, Ingersoll said. In some cities, those fees are passed onto consumers.

AT&T recently negotiated the same 5 percent fee for its new "U-Verse" television service, she said.

State service fund rate going down

All telephone companies operating in Oklahoma City pay a 2 percent franchise tax, Ingersoll said.

Telephone service fees include a federal Universal Service Fund of approximately 11.75 percent on interstate and

international calling revenues. The state has its own Universal Service Fund, as well.

"The rate has been constant at 0.40 percent of intrastate retail revenues for approximately five years, but effective July 1, the rate will be decreased to 0.30 percent," said Eric Seguin, chief of telecom for the Oklahoma Corporation Commission.

Compare the Oklahoma rate to that of Texas, where consumers pay a 5.64 percent Universal Service Fee on intrastate calls, said Bill Peacock, director of the Center for Economic Freedom at the Texas Public Policy Foundation.

"If that is all (Oklahomans) are paying, that is not much," Peacock said. "Ya'll are in pretty good shape."