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Texas Repeals Telecom Tax

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Texas Gov. Rick Perry (R) in June signed House Bill 735, eliminating the Telecommunications Infrastructure Fund (TIF) tax in September 2008.

The TIF was created in 1995 as a 10-year project to extend high-speed Internet infrastructure to schools, libraries, and hospitals. Its funding came from a 1.25 percent tax on phone bills that was to expire automatically in 2005.

In 2003, the legislature determined the TIF's mission was complete, but rather than canceling the tax, it transferred the funds into a technology allotment for public education.

In 2005, the legislature extended the tax again, depositing the proceeds into the state's general revenue account.

"Repealing the TIF tax now instead of waiting until 2011 will save Texas consumers more than \$210 million per year and more than \$600 million in total," said Talmadge Heflin, a visiting research fellow at the Texas Public Policy Foundation (TPPF) and a former chairman of the state House Appropriations Committee, in a statement.

TPPF research has found Texans have the third highest telecommunications taxes of any state in the country. In a separate study by The Heartland Institute, Dallas and Austin finished first and third in a survey of telecom tax rates in 59 U.S. cities, with rates of 15.9 and 15.4 percent, respectively.

-- *Steven Titch*

For more information ...

Texas H.B. 735: <http://www.legis.state.tx.us/tlodocs/80R/billtext/pdf/HB00735F.pdf>

David Tuerck, Paul Bachman, Steven Titch, and John Rutledge, "Taxes and Fees on Communication Services," Heartland Institute, May 2007: <http://downloads.heartland.org/211041.pdf>