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Texas Ranks 10th in Telecom Taxes

Critics call for more scrutiny of state telecom taxes such as Universal Service Fund

By Kimberly King | Friday, Sep 30, 2011 | Updated 9:57 PM CDT

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Texans pay some of the highest cellphone taxes in the nation, according to a recent study.

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According to a study by a leading telecom tax specialist, Texans pay some of the highest cellphone taxes in the nation.

Texas ranks 10th in the United States, according to the study by Scott Mackey at KSE Partners. The study shows that 17.48 percent of a Texan's average cellphone bill goes to government fees.

"I think using cellphone bills as a way to collect taxes is just an easy way for the government to collect taxes. People don't really notice it," said Bill Peacock, director of the Austin-based Texas Public Policy Foundation.

The average Texas consumer annually pays about \$318 in taxes for a bundled telecom package, according to the foundation. Cellphone users pay more than \$100 per year in taxes.

Peacock, who has studied Texas' telecom tax structure for years, said sales tax is partially to blame.

"We have such a high sales tax in the state, and that drives up all the other taxes that we have," he said.

But Peacock said many of the taxes are obsolete and fund programs that don't need to be around anymore.

"Cellphone users are subsidizing a lot of different people and a lot of different uses that really have nothing to do with cellphone service," he said.

The Texas Universal Fund, for example, maintains rural landlines in Texas. He said the millions going

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into the fund should be examined because most Texans have cellphones.

"There was a new tax passed here in Texas that impacted taxes we pay on our cellphone bills a few years ago," he said. "They actually put in the law that you couldn't list the tax a certain way so the people wouldn't think they were getting more taxes when, in fact, they were."

Peacock said the bills are confusing for customers.

"It's overwhelming," Garland resident Marcia Cox said.

She has a bundled telecom package with AT&T Co. Her bill lists a dizzying number of fees: a 911 Service Fee, a Universal Service charge, a Texas State telecom Tax, a City District telecom Tax, a City Telecom Tax, a Regulatory Cost Recovery charge, a State Recovery Fee and a Texas Universal service charge.

Her bill is \$373.50 per month, \$46.98 of which goes to taxes and fees.

"If you really get down to looking at it you, just go, 'What in the world is all of this?'" Cox said.

Her basic cell service monthly runs \$52.95. She pays a Federal Universal Service Charge of \$1.70 that goes in a national fund to subsidize rural landlines, schools and libraries. She is charged 66 cents as a Regulatory Cost Recovery charge that reimburses phone companies to comply with government regulations. A State Recovery fee, also known as the State Franchise Tax, is 31 cents. The tax reimburses telecom companies for taxes they pay to operate in Texas. And a 99-cent Texas Universal service fee goes to maintain landlines in rural Texas.

In recent years, Texas legislators have eased the telecom burden by repealing one telecom tax and lowering another.

But other fees continue, such as the 50-cent wireless 911 emergency service fee Cox pays for the cell emergency network and state and local taxes on her phone.

People who want to see changes in the tax structure should call their legislators.

Lawmakers in Washington have been pushing a bill that would halt telecom taxes for five years but it has yet to pass.

"I think we're probably being overtaxed when I actually sit down and look at everything," Cox said.

According to state records, Texas' universal service fund collected more than \$462 million. Most of it goes to maintain rural landlines across the state.

Posted Friday, Sep 30, 2011 - 9:56 PM CDT

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Catalina Medrano

Oh, Texas makes money. Texas makes boo-koos of money. Every corner has a multinational retail company, pizza joint...has crushed small business. Those mega-stores are paying taxes...where are those taxes going? I'm ashamed of our education here in Texas, seeing that we're growing at an astounding rate. If we don't invest in education now, we'll just be adding a state income tax to build prisons in the future.

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Jason Aprill · Indiana Wesleyan

The worst part to me about this story is that someone has the stomach to pay 372 dollars a month just for a cell phone! What a huge waste of money. We cancelled our cell phone contracts almost 2 years ago and have saved close to 100 bucks a month! There are alternatives (pre-paid cell phones and unlimited long-distance home phone).

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Donald Bates · Bedford, Texas

I think we need to stop and remember that unlike other states, we do not have state income tax. The state has to make money somehow. Remember this when you want your child to have a teacher next year.

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Donald Bates · Bedford, Texas

Hey about using some tax dollars to pump water back from the ten rivers that empty into the gulf so that we do not lose the cattle industry due to drought?

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Which means we may need to redirect the funding rather than cut back.

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