

TENNESSEAN COM

Tennessee tries to sew up tax loophole

Cable break hurts competition, risks state jobs

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Our View

The mere mention of taxes makes a lot of Tennesseans see red; so much so that you won't see any candidates for governor or most other elective offices speaking in support of new or increased taxes.

Yet, without tax revenues our state would be in a dire situation, unable to keep schools operating, roads in usable condition, or police and firefighters protecting the public. As Tennessee's revenue collections continue to fall short of expectations for the third straight year, these and other vital services are becoming harder to pay for.

In devising a budget for fiscal 2010-11 that funds essential services, Gov. Phil Bredesen steered clear of asking for major tax increases by slashing jobs and expenses across state departments. A handful of comparatively modest new revenue proposals, though, were put forward, but even those are under fire.

One of them, a plan to equalize sales taxes on cable and satellite television, is not a tax increase at all but an attempt to close a tax loophole enjoyed by cable companies such as Comcast and Charter.

The sales tax was first imposed on TV providers several years ago, but lobbyists for the cable

industry were able to persuade the legislature to give them a tax break on the first \$15 of customers' cable bills. By closing that gap, Bredesen's plan would raise \$21 million for state coffers and an estimated \$10 million total for local governments through their portion of the sales tax.

Cable providers and their supporters in the legislature are fighting the plan as if it were a frivolous tax increase. Since cable companies would almost certainly pass along the cost if it is approved, it will seem like a tax increase to cable TV customers.

But there are two very good reasons to close this loophole: The cable exemption is an unfair business advantage, and the added revenues would keep more Tennesseans from losing their jobs.

Satellite TV companies already have filed suit against Tennessee to change the imbalance, and they cite a legal ruling in Ohio that found tax exemptions for one type of TV provider to be discriminatory. There, the state was ordered not only to drop the exemption but to pay satellite customers millions in refunds.

It is true that cable customers, who far outnumber satellite users in Tennessee, would feel the pinch, but one likely reason that cable has so many more users here is that it can use the tax break to defray development costs or to keep customer bills lower.

That is an unfair advantage that, in the long term, makes the cost of TV service higher for everyone. If it continues, it also could spill over into other businesses. Which lobby will buy a break from legislators next?

Then there are the state job losses. Closing the

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cable loophole and ending a separate sales-tax break on "free" hotel breakfasts could keep 200 more people in their jobs. While critics say there is a lot of fat to be cut out of our state government, it should be noted that those 200 jobs include prosecutors, public defenders, and probation and parole officers, all of whom are vital to our criminal-justice system and many of whom have families to support. Lawmakers who side with the cable industry on the tax break should consider that before they move to protect cable customers from an additional \$1.50 a month in taxes.



Cable companies in Tennessee now get a tax break that satellite providers don't get. (FILE / ASSOCIATED PRESS)