

http://www.broadcastingcable.com/article/print/468156-Satellite_Cable_Spar_Over_New_Tax_Bill.php

Satellite, Cable Spar Over New Tax Bill

Sensenbrenner and co-sponsors introduce State Video Fairness Act

By John Eggerton -- Broadcasting & Cable, May 12, 2011

Rep. James Sensenbrenner (R-Wis.) and two co-sponsors have introduced the State Video Fairness Act of 2011, which is being celebrated by DISH and DirecTV as a bill to "protect consumers and promote competition by preventing the imposition of discriminatory taxes on satellite television and other innovative competitors to cable television."

The cable industry has been successful in getting a number of states to change their tax laws to take into account local fees they pay that are not paid by satellite operators, laws Dish and DirecTV argue are discriminatory.

"Turning a blind eye to the fact that American families are grappling with a struggling economy and a heavy tax burden, the cable industry continues to lobby aggressively for raising taxes on satellite households," said DISH and DirecTV in a statement.

NCTA responded to the bill Wednesday in a statement calling it satellite operators' attempt to block their efforts to "simplify and modernize state and local tax systems."

"In 44 states and D.C. today, multichannel video customers today face anything but an 'economically neutral' choice: all other multichannel video customers (traditional cable, Verizon FIOS, U-Verse) pay significantly more in taxes than DBS customers because the DBS industry benefits from the real loophole in the 1996 Telecommunications Act, the one that preempts any local taxation of the DBS industry. This gaping loophole has allowed DirecTV and DISH - the second and third largest multichannel video providers with a combined 34 million customers - with a significant competitive advantage which they seek to set in stone through federal preemptive legislation.

But DISH and DirecTV made their own loophole arguments in praising the bill.

"State lawmakers who are sponsoring discriminatory tax bills have accepted a specious argument that asserts that the franchise fees cable companies pay to local governments for the use of public rights-of-way are really taxes, and that state taxes on satellite television are necessary to achieve 'tax parity,' the companies said. "But the 1996 Telecommunication Act recognized that franchise fees are a cost inherent to the cable industry's business model and that they do not apply to the satellite television industry because it does not use public rights of way.

Consequently, Congress prohibited the imposition of franchise fees on satellite television. However, the 1996 Act left one loophole, which cable has exploited: It did not specifically prohibit states from imposing discriminatory taxes on satellite television to "make up for" the fact that satellite TV companies don't pay fees for rights-of-way which they do not use."

NCTA says the satellite operators are simply trying to "lock in" their tax advantage by preempting legislatures.

« Back | Print

© 2011 NewBay Media, LLC. 28 East 28th Street, 12th floor, New York, NY 10016 T (212) 378-0400 F (212) 378-0470