



February 4, 2011

Don't Raise Taxes on Satellite Television: Oppose HB 1382!

Dear Legislator:

On behalf of the National Taxpayers Union's 7,700 members in Indiana, I urge you to oppose House Bill 1382, which imposes a new 5 percent tax on satellite television. This tax is a punitive levy on satellite television customers, which will increase costs for many households, limit entertainment choices, and do nothing to improve Indiana's fragile economic recovery.

A tax on satellite television would punish 800,000 Indiana households simply for choosing satellite over other types of service. The government should not be in the business of making personal decisions for consumers, especially by dictating or influencing such choices through onerous tax policies. Furthermore, satellite television can be the only option for Indiana families who live in the rural parts of the state where cable and broadcast services are not readily available.

Some argue that this new tax is warranted in order to level the business playing field because the cable television industry has paid "franchise fees" in exchange for rights-of-way to lay cable. But such fees are supposed to reflect a cost of doing business – rent for use of public property – and one that is mirrored by satellite providers' need to competitively bid for the use of federally owned spectrum over which they transmit their signals. In truth, whether paying for cable-maintenance trucks, transmission towers, or satellite fleets, each provider's unique business model entails certain specific costs as a precondition of getting their service into homes and businesses. The franchise fee negotiation process is not infallible, and there are likely many instances where cable providers are paying too much to local governments. That is precisely why the path to tax fairness and neutrality is through lowering those inflated charges, not through raising taxes on satellite customers.

Indiana's cumulative economic performance is ranked fourth-worst in the nation, according to the American Legislative Exchange Council. This alone ought to deter policymakers from raising taxes at a point where Indiana may see a turnaround, but timing aside, such an arbitrary tax hike on one sector of telecommunications is not smart policy. Instead, we urge you to enact reductions in taxes for all of your citizens, regardless of which television, telephone, and Internet service they choose.

Telecommunications will be a key element in restoring a productive and vigorous economy. Lightening or at least not adding to the tax burden for those who purchase these services should be a priority. We look forward to working with you in drafting such legislation, which would benefit all the consumers of your state.

Indiana's tax code could use serious reform. But reform should not include adding to the already complicated tax burden by imposing a new tax on satellite television. Therefore, our members hope you will reject any proposal to do so, and they stand ready to support the more positive steps outlined above.

Sincerely,

A handwritten signature in black ink that reads "John Stephenson". The signature is fluid and cursive, with a long, sweeping underline.

John Stephenson
State Government Affairs Manager

CC: Governor Mitch Daniels