



May 23, 2011

An Open Letter to the House of Representatives: Taxpayers Need the Protection of the State Video Tax Fairness Act!

Dear Representative:

On behalf of the 362,000 members of the National Taxpayers Union (NTU), I write to offer our support for the State Video Tax Fairness Act of 2011 (H.R. 1804). We commend Representatives Sensenbrenner, Conyers, and Jordan for their strong bipartisan leadership on this issue. H.R. 1804 would begin to address the persistent problem of discriminatory state video services tax policy by prohibiting inequitable net taxes that are dependent on the mode of programming delivery. This would help to ensure that consumers – not legislators – pick marketplace winners and losers, as well as serve our ongoing mission of lower, simpler, and fairer taxes for all forms of telecommunication.

To give one example of the current, troublesome situation, Ohio levies video service taxes on satellite television that are significantly higher than those levied on cable television at the state level. Current budget shortfalls have encouraged numerous other states to consider such tax schemes in recent years. If consumers are to be defended against widespread, misguided taxation, it will be necessary for the federal government to assert its perfectly legitimate prerogative by setting boundaries like those contained in H.R. 1804.

Some argue new statewide satellite taxes are warranted because the cable television industry has paid “franchise fees” to local governments in exchange for rights of way to lay cable. It is quite true that these franchise fees are often exorbitant, with some experts estimating that as little as 10 percent goes toward maintaining public property while the other 90 percent props up bloated municipal budgets. Yet, that is precisely why the path to tax fairness and neutrality is through lowering those inflated charges, not through raising taxes on satellite subscribers. NTU is committed to winning franchise-fee relief and will continue to urge state and local governments to review these policies, but they cannot be used as a justification for imposing discriminatory statewide taxes on customers of other services. In any case, H.R. 1804’s salutary provisions will afford protections against several forms of inequitable taxation, including levies that could fall upon Internet protocol-based technologies.

Telecommunications of all varieties have been targets for disproportionate and punitive taxes since the Spanish-American War, slowing much of the progress and productivity that could have emerged to enrich our society sooner. There is an obvious need to reduce telecommunication tax burdens on all providers, promote consumer choice, and provide a neutral playing field among similar products. At the federal level, we have endorsed efforts to prevent discriminatory taxation of Internet services, digital goods, and wireless services and we support the application of this principle to video services as well.

Congress needs to send a clear message against discriminatory video taxes now. **We urge you to cosponsor and support this bill, and any roll call votes on H.R. 1804 will be significantly weighted in NTU’s annual Rating of Congress.**

Sincerely,

Andrew Moylan
Vice President of Government Affairs