

Radia & Otto: Texas lawmakers should reject a tax on satellite TV

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No one likes new taxes especially ones that don't make sense. Unfortunately, politicians never seem to learn this simple lesson. Lawmakers in Austin are considering a bill that would slap Texans who subscribe to satellite television with a huge tax increase.

Spearheading this push to nearly double the tax on satellite television is state Rep. Craig Eiland, D-Galveston. Supporters of the tax argue that it would "level the playing field" between cable and satellite subscribers, complaining that Texans who get cable television pay a roughly 5 percent municipal franchise fee on top of ordinary sales taxes — a fee that doesn't apply to satellite television.

To be sure, lawmakers should worry about discriminatory, unfair taxes, but municipal franchise fees are different. Assessing fees on private companies that use public resources is just common sense. Cable television lines typically run underneath city streets and other public lands that must be dug up from time to time for repairs or upgrades. This process can be inconvenient and costly. Why shouldn't cable companies and their subscribers reimburse towns for the reasonable costs they incur?

Satellite providers, by contrast, don't rely on public resources. Instead, they invest billions of dollars to launch their own satellites into space. DirecTV, for instance, has a fleet of a dozen satellites that orbit Earth, beaming video signals to the small dishes that are so frequently seen on residential rooftops and balconies. Upgrades to this system typically involve nothing more than swapping out a set-top box or adding a new dish — there is no tearing up city streets or public lands.

It's a basic economic principle that when a service becomes more expensive, people will tend to consume less of it. Under Eiland's proposed tax hike, many Texans will likely downgrade their satellite service, or cancel it and switch to cheaper alternatives. This would distort the market for video services, putting cable and satellite installers out of business and limiting choices for Texas consumers.

Still, to be fair to Eiland, it's true that the playing field between cable and satellite services is hardly "level." However, this isn't because taxes on satellite services are too low — it's because municipal franchise fees on cable service are way too high.

In practice, most cable fee revenue goes not toward recouping the costs that towns incur because of cable services, but into municipal general funds, where it becomes fair game for spending-happy politicians. For example, in 2009, the City of Dallas spent only \$637,000 on maintenance costs but collected \$125 million in municipal franchise fees.

According to a January 2011 study by the Texas Public Policy Foundation, towns in Texas have become addicted to revenue from municipal franchise fees. "Cities profit greatly from franchise fees,"

the study observes. "The disparity between funds collected and costs of maintaining (rights of way) is vast."

If Eiland and his allies really want to level the playing field, they should reform Texas's municipal franchise tax. Cutting fees on cable services is a far better approach than hitting Texan satellite subscribers with a new tax.

Texas's economy is moving in the right direction, having grown 3.4 percent in 2010. Now is not the time for big government policies that will depress growth and kill jobs. Lawmakers in Austin should focus on tightening their belts, rather than looking for new ways to fill government coffers.

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