



## **Statement of Pete Sepp**

**President**

**National Taxpayers Union**

**Submitted to the South Carolina Senate Judiciary Subcommittee**

**Regarding Senate Bill 277**

**February 19, 2015**

Chairman Rankin and Members of the Senate Judiciary Subcommittee:

On behalf of National Taxpayers Union (NTU) and our members in South Carolina and across the country, I would like to express our organization's strong opposition to **Senate Bill 277** as well as request that your committee vote "**NO**" on this legislative proposal. As the voice of America's taxpayers, NTU believes this legislation would be doing South Carolina's citizens a disservice, by forcing them to shoulder the costs of a needless government subsidy. *S277* would add a new tax on approximately 4.5 million wireless consumers here in the Palmetto State to bolster the profits of small landline telephone companies. In our view, this proposal is a prime example of misguided tax and telecommunications policy.

As members of this committee, you are well aware of the changes that have taken place in the telecommunications market – especially over the last ten years. Because of innovation and changing consumer preferences, landline telephone companies across the country and here in South Carolina have been consistently losing customers. Because landline usage is in steep decline –with almost 40 percent of South Carolina's families cutting their service and relying solely on their cell phones – landline phone companies are petitioning for this new tax, which

would help them maintain a \$42 million annual subsidy currently paid for by their dwindling base of customers.

Our organization is highly concerned that local landline phone companies would force wireless consumers to fund their waning business models and declining revenues. After all, it is simple economics; to stay relevant in today's competitive market, providers must offer and deliver services consumers want. But in this instance, companies would rather receive a taxpayer-funded handout than compete in a free market.

Those firms supporting S277 will likely furnish your committee with a number of excuses to bolster their arguments. First, they argue that because wireless calls sometimes get connected through their networks, wireless consumers should be forced to pay for using those networks. While such connections certainly do occur, wireless companies already pay local phone companies for the use of landline networks. The idea that wireless consumers should pay a new tax for the use of local phone networks, when their providers are now being charged for these services, is unfair and amounts to double-dipping.

The phone companies also claim S277 doesn't create a new tax, but rather institutes a new "fee." This is simply not true. The term "fee" is commonly understood to apply when the government seeks to recoup the cost of a service directly from the beneficiary of that service. In this case, the government would collect revenue from one group (wireless users) for the benefit of another group (landline phone companies and, presumably, their customers). For that reason, this bill would create a tax, not a fee. Semantics aside, passage of S277 would result in millions of South Carolinians paying more to the government and receiving no additional, direct benefit. Further, S277 does not require the local phone companies that would receive a windfall from this bill to demonstrate financial proof that they need the funds. It also ignores the \$100 million they currently collect annually from a federal subsidy program. \$100 million is a substantial sum and a portion of these federal subsidies are paid for by South Carolina consumers.

Wireless customers are already paying their fair share of taxes each month, as approximately 16 percent of the typical monthly wireless bill in South Carolina is comprised of taxes and fees. . –

This rate is roughly double the amount of state tax for typical goods and services purchased in the Palmetto State. In addition, South Carolina ranks 22nd in the country for state and local taxes and fees on wireless service – higher than neighboring North Carolina and Georgia. This number will worsen if S277 is enacted.

For all of these reasons, please vote “no” on S277. Your constituents are already overtaxed. Please don’t make this problem any more burdensome. Thank you for your consideration of NTU’s views, and should you have any questions or require additional information, please feel free to contact us at 703-683-5700. Additionally, more NTU analysis and commentary on tax and telecommunications policy is available on our website at [www.ntu.org](http://www.ntu.org).