



March 14, 2006

## **An Open Letter to the Florida State Legislature: Stop Punishing Telephone and Wireless Consumers with Unnecessarily High State Taxes**

Dear Florida Legislator:

On behalf of the more than 30,000 Florida members of the National Taxpayers Union, I urge you to address the excessive state tax burden on telecommunications. In light of Florida's \$3.2 billion budget surplus, the time is ripe for doing away with taxes that do little more than stifle economic growth and raise costs for families and businesses.

According to the Florida TaxWatch's annual comparison of state and local taxes, Florida's tax burden has risen to its highest level in 18 years. Prime among the reasons for this situation is Florida's excessive tax rates on communication services. Taking into account the two taxes levied on communication services (the 6.8 percent Communications Services Tax and the 2.37 percent Gross Receipts Tax), Florida consumers pay a total rate of 9.17 percent in state communication services taxes. The result is that Florida has the dubious honor of imposing the nation's third-highest tax rate on wireless service and the seventh-highest tax rate on landline telephone service.

Two bills addressing Florida's high telecom taxes are currently being considered; HB 1339 and SB 2008 would reduce the Communications Services Tax rate from 6.8 percent to 3.63 percent effective October 1, 2006. When combined with the Gross Receipts Tax, this new rate would mean that the total of the two taxes is 6 percent – equal to the state sales tax rate. Should this tax-reducing proposal become reality, Floridians would save \$288.5 million over the length of the current budget, and save a further \$446.2 million over the term of the next state budget.

A study conducted by the National Taxpayers Union Foundation determined that the tax burden heaped upon communication services was among the worst of all the "hidden" taxes not readily apparent or visible to taxpayers. Many consumers simply aren't presented with full information about federal excise taxes, 911 surcharges, hearing impaired fees, or sales and use taxes. It is poor public policy to hide the cost of government from taxpayers. And it is worse economics to overly burden any sector with excessive rates of taxation. The time of the crank-handle telephone has passed, and so should the era of onerous telecom taxes.

Florida should be very proud that it does not inflict an income tax upon residents. Lowering the excess burden on telecommunication taxes would similarly be a positive development for Florida taxpayers.

Sincerely,

Kristina Rasmussen  
Government Affairs Manager