



June 19, 2008

Paul Mallett  
Executive Director  
Commission on State Emergency Communications  
333 Guadalupe Street  
Suite 2-212  
Austin, TX 78701-3942

Dear Mr. Mallett:

On behalf of the 362,000 members of the National Taxpayers Union, 23,000 of whom live in Texas, I am writing in opposition to a proposal to tax prepaid wireless phones for 911 service.

As you probably know, many Texans are struggling to maintain their budgets as they face high gas and food prices. For taxpayers dealing with these cost-of-living challenges, the last thing they need from policy makers is additional tax burdens. Yet it is our understanding that the Commission may seek to add a 911 tax to prepaid cell phones.

In general, wireless taxes are disproportionately high, hidden in the “fine print,” and regressive. This is especially true of taxes added on to prepaid cell phones, which an estimated 2 million Texans currently use to stay connected with family and friends.

A study published by the Heartland Institute in June 2007 surveyed the taxes levied on wireless telephones in 59 major cities and found that subscribers pay, on average, \$5.89 per month in taxes and fees. This is an effective tax rate of 11.78 percent – nearly double the sales tax rate levied on other goods and services. To make matters worse, our own research has shown that the taxes heaped upon mobile service are among the worst of all the “hidden” levies not readily apparent to the people paying them.

National trends show that prepaid cell phone users are more likely to be low-income Americans who cannot afford long-term contracts and other monthly charges. For Texans living paycheck to paycheck, any increase in costs could make prepaid cell phones unaffordable. The impact on these consumers would undoubtedly be severe.

We urge you to consider other options before causally heaping on another tax to telecom services. Instead of increasing access to 911, the Commission could find itself with 2 million fewer Texans able to call 911 in the case of an emergency – as they may be priced out of their phones altogether.

Sincerely,

Kristina Rasmussen  
Director of Government Affairs