



April 28, 2009

Attention Texas Lawmakers: Don't Cave in to Cable ... Vote NO on the New Satellite TV Tax!

Dear Legislator:

On behalf of the National Taxpayers Union's 23,000 Texas members, I urge you to reject H.B. 3893, which would create a new 7 percent sales tax and levy it only on satellite TV. This discriminatory bill would result in a staggering total tax burden of 13.25 percent on the 2.7 million Texans who subscribe to satellite TV. The legislation would also discourage the innovation and competition in the video market that benefits all consumers with lower prices and better service.

By instituting a new tax that would only be imposed on satellite TV, H.B. 3893 condemns Texans who decided satellite suited them best to pay an additional \$60 per year in taxes. Compounding this injustice is the pain H.B. 3893 would inflict on hundreds of thousands of Texans who live in areas that are not served by cable. In some cases satellite TV may be the only sensible option available to them. Lawmakers should not risk putting such services out of the financial reach of some of those citizens because of poor tax policy.

The trend of using tax laws to handicap competitors' products while giving oneself a leg up is disturbing. Supporters of the legislation argue that because satellite firms often have little or no physical presence in a state, they "escape" property taxes and should pay more in other levies. This contention is ridiculous on its face – should someone who works from home be forced to pay a special tax because he or she "escapes" paying gasoline taxes by not driving to work? Should a customer who buys ice cream pay a higher tax for chocolate than for vanilla?

Still, cable providers insist that H.B. 3893 is fair because they have paid "franchise fees" in exchange for public rights of way to lay cable. But for many years, satellite providers have had to competitively bid for the use of federally owned spectrum over which they can transmit their signals. One could argue that this "right of way" through space is somewhat analogous to the terrestrial rights of way for which cable companies are paying under franchise agreements. Certainly, satellite companies also pay a "cost of business" in preparing, launching, and maintaining their spacecraft as a precondition of getting their products into homes and businesses.

Despite commendable features such as the absence of a state income tax, the Texas tax system treats telecommunications harshly. For example, the Heartland Institute calculates that the total government tax load on voice, video, and data services is over 15 percent in Dallas, significantly higher than the national average of nearly 11 percent. The State Legislature and localities should be working to lower those rates across the board rather than clinging to old-school parochial treatment that favors some over others. Customers should decide who makes the grade in the marketplace, not government. For this reason, a "No" vote on H.B. 3893 is the pro-taxpayer vote.

Sincerely,

Pete Sepp
Vice President for Policy and Communications