



August 24, 2009

Attn. California Lawmakers: Vote NO on the New \$160 Million Satellite TV Tax!

Dear Legislator:

On behalf of the National Taxpayers Union's 52,000 California members, I urge you to reject a proposal that would create a new 5 percent gross receipts tax imposed only on satellite television. This arbitrary scheme would target one sector of the television industry, increasing the burden on overtaxed Californians and effectively empowering the state to pick winners and losers in the market.

If lawmakers decide to move forward with this \$160 million tax increase, 3.6 million California families will be punished for choosing satellite TV. In essence, big government would supplant what should be the personal decisions of consumers. The state should not attempt to boost one industry at the expense of another – especially through higher taxes during an economic crisis.

This policy proposal is similar to levying a surtax on Nike shoes, but not on Adidas footwear. Customers should buy shoes based on their preferred style, fit, and price – not whether the government thinks they should cost more. The same goes for television providers. California families choose satellite or cable based on programming, service, and prices. It is not the government's role to step in and distort the marketplace in such a manner.

Lobbyists for the cable TV industry insist that this new tax is warranted because the industry has paid “franchise fees” in exchange for public rights-of-way to lay cable. But this is merely a “cost of doing business,” and one mirrored by satellite providers' need to competitively bid for the use of federally owned spectrum over which they can transmit their signals. 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. In any case, if cable providers believe they are paying too much to local governments the answer is to seek lower taxes on their own operations, not to come pleading to the Legislature for higher taxes on their competitors under a twisted definition of “fairness.”

California's economy has stagnated under a tax-and-spend mentality in Sacramento, along with a refusal on the part of local governments to recognize fiscal reality and reform their own budgeting practices. This proposal would compound the problem by heaping an additional \$160 million onto the backs of the state's struggling taxpayers, including the hundreds of thousands of rural satellite TV consumers who have no other option.

Some lawmakers may assent to this tax hike as a “free vote” because its passage would require a 2/3 supermajority in both chambers, but we disagree. So would the voters who overwhelmingly rejected a slate of revenue-raising proposals at the polls a few short months ago. For taxpayer advocates on either side of the aisle, the only proper vote against the satellite TV tax is “NO.”

Sincerely,

Joshua Culling
State Government Affairs Manager