



July 7, 2010

An Open Letter to the Lincoln City Council: Don't Raise Taxes on Wireless Consumers!

Dear Council Member:

On behalf of the National Taxpayers Union's 2,400 members throughout Nebraska, many of whom reside or work in Lincoln, I urge you to reject a proposed expansion of the city's six percent occupation tax to phone equipment. This plan would result in a substantial tax hike on consumers and would drive business out of the city. Instead of raising taxes, the City Council should look at ways to reform the city's budget and find program savings.

Lincoln consumers already pay a substantial amount in taxes for wireless service. According to the Platte Institute for Economic Research, Nebraskans are on the hook for 22 percent in wireless taxes and fees, which is twice the amount of taxes Iowa consumers pay and seven percentage points more than what consumers in Kansas pay. If the expansion of the occupation tax is approved, Lincoln customers will shoulder an additional six percent in taxes, on top of seven percent in local and state sales taxes. Further, this tax will apply to the sale of a variety of equipment, which includes the phones themselves, pagers, chargers, carrying cases, spare batteries, and headsets. Moreover, many of these items are sold by small retailers, who are already struggling to stay afloat.

The problem with this occupation tax proposal is that it will drive business out of Lincoln, harming the local economy and, ultimately, the city's existing tax base. Wireless phones are no longer luxuries, but have become essential means of communication for individuals, families, and businesses ranging from farmers to computer repair technicians. If the city approves this scheme, the cost of phones and their accessories will rise, and taxpayers will seek out equipment that costs less – goods that will be available in Iowa, Kansas, and other lower-tax jurisdictions. In these times of economic uncertainty, the City Council should not give consumers an incentive to spend their dollars elsewhere.

As an alternative to more taxes, the city's budget should be systematically explored for opportunities to reduce costs. One of the city's admirable initiatives (discussed in a recent *Journal Star* editorial) is to privatize parking meter-reading functions. Options such as these should be aggressively pursued.

Our members, and many others who live or do business in Lincoln, hope that the City Council will work to restrain spending and promote economic activity instead of harming a potential recovery. You can begin doing so by rejecting any increase in wireless taxes.

Sincerely,

John Stephenson
State Government Affairs Manager