

Excessive Taxes and Fees On Wireless Service: Recent Trends

by Scott Mackey

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Overview

Wireless consumers are subject to a growing number of industry-specific discriminatory taxes and fees on their service. Some states and localities are looking to expand those taxes — many of which originated during a time when the telecommunications industry was characterized by regulated monopolies — even though the wireless marketplace is highly competitive. The wireless industry is characterized by intense price competition and innovative new products and services that have led to dramatic declines in per-minute prices and rapid growth in the number of wireless subscribers and the number of minutes used.

A new analysis of taxes and fees on wireless service shows that the overall tax burden on wireless consumers has eased slightly since 2003 because of the elimination of the 3 percent federal excise tax (FET) on wireless service. However, the elimination of the FET has been partially offset by a significant increase in the Federal Communications Commission's universal service charge (USF) that is borne by wireless consumers as a surcharge on their wireless bills. Between 2003 and 2007, the FET dropped from 3 percent to zero while the federal USF charge increased from 2.07 percent to 4.19 percent, producing a net reduction in consumer burdens from 5.07 percent to 4.19 percent.

The net reduction in the federal burden on wireless consumers has also been offset by increases in state and local taxes and fees. State and local taxes and fees increased from 10.2 percent to 11 percent between 2003 and 2007, four times faster than the increase in overall sales and use taxes imposed on sales of other competitive goods and services. Wireless consumers enjoyed a reduction in their overall tax and fee burden between 2003 and 2007, from 15.27 percent to 15.19 percent.

The net reduction in the federal burden on wireless consumers has been offset by increases in state and local taxes and fees.

The wireless industry and its consumers continue to advocate for tax burdens that are the same as those imposed on other competitive businesses through the sales and use tax, with the exception of fees used directly for the 911 emergency communications system. It is an open question whether the recent reduction in federal taxes will be matched by a corresponding reduction in state and local taxes and fees on wireless service.

There is some evidence that wireless consumers are becoming more politically active in preventing new discriminatory taxes on their bills. Proposals for significant wireless tax increases in Michigan; Cook County, Ill.; and several Oregon cities were defeated largely because of political pressure from wireless subscribers. There is also pending federal legislation that would place a moratorium on new discriminatory taxes on wireless services. As those advocacy efforts continue, perhaps the trend toward higher state and local taxes and fees on wireless subscribers will be slowed or reversed.

Introduction

This report updates data first published in *State Tax Notes* in 2004 about the excessive state and local tax and fee burden imposed on wireless consumers

compared with purchasers of other goods and services sold in the competitive marketplace.

Wireless consumers continue to pay excessive and burdensome state and local taxes on their wireless service, even though economists and policymakers agree that there is no rational economic basis for excessive taxation of the industry and its consumers. Some state and local policymakers continue to impose excessive taxes on wireless service because they have imposed excessive taxes on telecommunications services for decades. Rather than reducing excessive taxes on local landline phone companies and their customers, which would reduce existing state and local revenue, some policymakers claim that they have leveled the playing field by expanding discriminatory taxes to wireless services.

The National Governors Association and the National Conference of State Legislatures have recommended that states reform and modernize their tax policies regarding telecommunications.¹ However, with the exception of Virginia, states with excessive taxes have not undertaken reforms to reduce tax burdens because of the significant fiscal impacts on the state or its local governments.

Tax policy and economic development policy are working at cross-purposes in some states because higher consumer taxes reduce cash flow for network investments.

At the same time, state and local policymakers recognize the importance of broadband service to their constituents and are redoubling their economic development efforts to promote broadband investment in their states and communities. Some are even passing legislation to subsidize or remove regulatory barriers to broadband investment while failing to consider the effect of excessive taxes on the ability of wireless and other communications service providers to invest in broadband networks. In other words, tax policy and economic development policy are working at cross-purposes in some states because higher consumer taxes reduce cash flow for network investments.

Some state policymakers have adopted a narrow view of the revenue implications of reform, focusing only on the short-term revenue loss to the state or local governments without considering the offsetting

longer-term fiscal benefits that communications tax reform would have on telecommunications investment. A recent report by *Governing Magazine* and the Pew Center on the States, entitled “Growth & Taxes,” said that “a reliable, high-quality and affordable telecommunications system is essential to the economic competition of states — to say nothing of the nation. And yet, these systems are subject to very high taxation rates in a number of states — by a tax approach set when the industry was dominated by one telephone company that was highly regulated.”

Several additional new studies show that improved broadband networks will lead to increased business productivity and faster economic growth as companies use communications networks in their business processes.² Lower taxes on wireless and other communications services will also directly reduce business costs for communications services.

The Evolving Wireless Marketplace

The wireless industry sells goods and services in a highly competitive, evolving marketplace that includes not just voice communications but also “entertainment” — in the form of music and video downloads, games, and various hybrid messaging capabilities. The Apple iPhone sold by AT&T is a prime example. In advertisements, the device is marketed as a multipurpose entertainment device that can access the Internet and play games and music. Voice telephone service is mentioned almost as an afterthought.

That migration from voice services to entertainment and other data services means that wireless providers are competing for discretionary consumer entertainment spending, bringing the industry into direct competition with cable providers, Internet service providers, and numerous Web-based content providers. In that environment, consumers are more price-sensitive than ever before, so consumer taxes matter more than ever before. If states and localities persist in imposing discriminatory taxes on wireless providers and customers, they will unwittingly drive consumers to purchase services sold by providers not subject to those taxes.

One only needs to look at the historical trends in the growth of the wireless industry to understand the relationship between price and consumer demand. According to the FCC, the average revenue per minute of wireless service dropped from 20 cents to 7 cents between 2000 and 2005. During that same period, the average minutes of use increased by

¹See Scott Paladino, “Telecommunications Tax Policies: Implications for the Digital Age,” National Governors’ Association, Feb. 2, 2000; National Conference of State Legislatures, “Telecommunications Tax Policy,” adopted July 19, 2000, amended and readopted July 20, 2004.

²See Lewin and Entner, “Impact of the Wireless Telecom Industry on the U.S. Economy,” Boston. Ovum and Indepen, September 2005; U.S. Department of Labor, “Productivity and Cost by Industry: Selected Service Providing and Mining Industries, 2004.”

Table 1. A Growing Burden: Wireless vs. General Business Tax Rates

	1/1/2003	4/1/2004	7/1/2005	7/1/2006	7/1/2007
Weighted Average					
General Sales/Use Tax	6.87%	6.93%	6.94%	7.04%	7.07%
Wireless -state/local tax & fee	10.20	10.74	10.94	11.14	11.00
Wireless - federal tax & fee	5.07	5.48	5.91	2.99	4.19
Wireless federal/state/local tax & fee	15.27	16.22	16.85	14.13	15.19
<p><i>Notes:</i> Methodology derived from Committee on State Taxation, “50-State Study and Report on Telecommunications Taxation,” Nov. 29, 2000. Updated 2003, 2004, 2005, 2006, and 2007 from state statutes and local ordinances by Scott Mackey, Kimbell Sherman Ellis LLP, Montpelier, Vt.</p> <p>Federal includes 3% federal excise tax (until 5/2006) and federal universal service fund charge, which is set by the FCC and varies quarterly:</p> <p>Federal USF 1/1/2003 — 28.5% FCC “hold harmless” times FCC contribution factor of 7.3% = 2.07%</p> <p>Federal USF 4/1/2004 — 28.5% FCC “hold harmless” times FCC contribution factor of 8.7% = 2.48%</p> <p>Federal USF 7/1/2005 — 28.5% FCC “hold harmless” times FCC contribution factor of 10.2% = 2.91%</p> <p>Federal USF 7/1/2006 — 28.5% FCC “hold harmless” times FCC contribution factor of 10.5% = 2.99%</p> <p>Federal USF 7/1/2007 — 37.1% FCC “hold harmless” times FCC contribution factor of 11.3% = 4.19%</p> <p><i>Source:</i> http://www.fcc.gov/omd/contribution-factor.html</p>					

more than 190 percent from 255 to 740 minutes per month.³ Consumers respond to lower prices by buying more, and at higher prices they bought less.

Excessive consumer taxes distort consumer purchasing decisions and reduce consumer purchases of goods and services sold by wireless providers. That reduces the amount of revenue available for investment in network upgrades. Wireless providers have been spending about \$20 billion per year over the last five years on network upgrades and service expansions even under the onerous tax burden imposed on the industry and its customers. Rather than seeking new ways to subsidize or provide incentives for broadband deployment, states could spur significant new investment simply by lowering taxes on company investments and could increase consumer demand by lowering the taxes on wireless service to the same rate as the general sales and use tax.

Recent Tax Trends

A new analysis of state and local taxes and fees on wireless services reveals a bit of good news. For the first time in five years, the state-local burden on wireless service fell slightly between July 2006 and July 2007 — from 11.14 percent to 11 percent. Table 1 summarizes the trend over the last five years.

This report uses the method developed by the Council On State Taxation in the landmark 1999 study, “50-State Study on Report on Telecommunications Taxation.” The report assigns each state a representative state-local tax rate that represents

³Federal Communications Commission, Eleventh Annual Commercial Mobile Radio Service Competition Report, September 2006, available at http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-06-142A1.pdf. 2000 revenue figure presented in inflation-adjusted 2005 dollars.

the average rate imposed in the most populous city and the capital city. It includes taxes and fees that are legally imposed on the customer or that are imposed on the company if they are measured by gross revenues or receipts from wireless service.

Table 1 shows the weighted average state-local tax and fee burden since January 2003. Burdens steadily increased between 2003 and 2006 before dropping slightly in 2007. Those rates reflect the burden on the “typical” U.S. wireless consumer that spends the industry average of \$49.94 per line per month on wireless service.

Between 2003 and 2007, taxes and fees on wireless service increased four times faster than taxes on other goods and services. Burdens on wireless consumers rose from 10.2 percent to 11 percent, while those on competitive goods and services increased from 6.87 percent to 7.07 percent. By any measure, wireless service was targeted for a disproportionate share of tax increases when compared to broad-based consumption taxes.

Between 2003 and 2007, taxes and fees on wireless service increased four times faster than taxes on other goods and services.

Table 2 (next page) ranks state-local tax and fee burdens from highest to lowest. Nebraska and Washington have displaced Florida and New York from the top two spots, shifting those states to third and fourth highest, respectively. Missouri moved up to 5th place from 13th because of recent court settlements that require wireless companies to levy city business license taxes that are borne by wireless consumers. Rounding out the top 10 are Rhode

Table 2. Taxes and Fees on Wireless Service, July 2007

Rank	State	State-Local Rate	Federal Rate	Combined Federal- State-Local Rate
1	Nebraska	18.35%	4.19%	22.54%
2	Washington	16.43%	4.19%	20.62%
3	Florida	16.23%	4.19%	20.42%
4	New York	15.94%	4.19%	20.13%
5	Missouri	15.73%	4.19%	19.92%
6	Rhode Island	14.52%	4.19%	18.71%
7	Texas	14.27%	4.19%	18.46%
8	Pennsylvania	13.50%	4.19%	17.69%
9	Illinois	12.75%	4.19%	16.94%
10	California	12.67%	4.19%	16.86%
11	Utah	12.20%	4.19%	16.39%
12	South Dakota	11.91%	4.19%	16.10%
13	District of Columbia	11.52%	4.19%	15.71%
14	Tennessee	11.50%	4.19%	15.69%
15	Kansas	11.12%	4.19%	15.31%
16	New Mexico	11.01%	4.19%	15.20%
17	Colorado	10.89%	4.19%	15.08%
18	North Dakota	10.58%	4.19%	14.77%
19	Maryland	10.51%	4.19%	14.70%
20	Kentucky	10.36%	4.19%	14.55%
21	Arkansas	10.08%	4.19%	14.27%
22	Arizona	9.95%	4.19%	14.14%
23	Oklahoma	9.75%	4.19%	13.94%
24	South Carolina	9.45%	4.19%	13.64%
25	Mississippi	9.00%	4.19%	13.19%
26	New Jersey	8.80%	4.19%	12.99%
27	Indiana	8.55%	4.19%	12.74%
28	Minnesota	8.50%	4.19%	12.69%
29	North Carolina	8.37%	4.19%	12.56%
30	Georgia	8.26%	4.19%	12.45%
31	Wyoming	8.17%	4.19%	12.36%
32	Ohio	7.88%	4.19%	12.07%
33	New Hampshire	7.84%	4.19%	12.03%
34	Vermont	7.75%	4.19%	11.94%
35	Hawaii	7.70%	4.19%	11.89%
36	Alabama	7.40%	4.19%	11.59%
37	Wisconsin	7.39%	4.19%	11.58%
38	Iowa	7.36%	4.19%	11.55%
39	Maine	7.27%	4.19%	11.46%
40	Connecticut	6.80%	4.19%	10.99%
41	Alaska	6.76%	4.19%	10.95%
42	Michigan	6.58%	4.19%	10.77%
43	Virginia	6.50%	4.19%	10.69%
44	Louisiana	6.16%	4.19%	10.35%
45	West Virginia	6.01%	4.19%	10.20%
46	Montana	5.95%	4.19%	10.14%
47	Massachusetts	5.60%	4.19%	9.79%
48	Delaware	5.45%	4.19%	9.64%
49	Idaho	2.12%	4.19%	6.31%
50	Nevada	2.00%	4.19%	6.19%
51	Oregon	1.66%	4.19%	5.85%
	U.S. Simple Average	9.47%	4.19%	13.66%
	U.S. Weighted Average	11.00%	4.19%	15.19%

Note: Federal USF July 1, 2007 — 37.1% FCC “hold harmless” times FCC contribution factor of 11.3% = 4.19%

Federal rate reflects repeal of federal excise tax on wireless effective May 2006.

For flat monthly taxes and fees, average monthly consumer bill is estimated at \$49.94 per month per CTIA.

Source: Committee On State Taxation, “50-State Study and Report on Telecommunications Taxation,” May 2005 update, updated September 2007 by Scott Mackey, Kimbell Sherman Ellis LLP using state statutes and regulations.

Island, Texas, Pennsylvania, Illinois, and California. The District of Columbia was the only state to drop out of the top 10.

Oregon, Nevada, Idaho, Delaware, and Massachusetts are the states with the lowest taxes on wireless consumers. Idaho has a sales tax but does not impose it on wireless or other telecommunications service. Oregon has no sales tax, and only one city imposes a local utility tax on wireless service. Delaware does not levy sales and use taxes but impose communications services taxes on wireless service at relatively low rates. Massachusetts levies the (relatively low) state sales tax on wireless service and has a modest 30-cent monthly 911 fee. Finally, Nevada authorizes a local excise tax of 5 percent of the first \$15 in intrastate revenue, and caps the tax at a modest \$0.75 per month.

Highlights of Recent State Tax and Fee Changes

Appendix A provides a detailed breakdown of the taxes and fees imposed in each state. It is important to again point out that the method used in this report follows the COST method, which uses the average rates in the state's capital city and the state's most populous city. Rates in a specific city in states with local taxes and fees may vary from the numbers reported here.

Consumers in eight states benefited from reductions in state USF charges, including significant reductions in California and Texas that had a national impact on typical wireless consumer tax rates. Other states with USF reductions include Arkansas, Colorado, Kansas, Maine, New Mexico, and Oklahoma. Some of those reductions were the result of state administrative decisions to lower rates, while others were attributable to the decrease of the intrastate portion of the FCC safe harbor percentage that is used to determine the mix between interstate and intrastate calls in a fixed rate wireless calling plan. The state USF is levied on intrastate calls, while the federal USF is levied on interstate calls.

Unfortunately, the increase in the interstate portion of the federal USF safe harbor means that those state-level reductions are offset by higher federal USF charges. The federal effective USF rate for a wireless company electing to use the FCC safe harbor percentage increased from 2.48 percent in 2004 to 4.19 percent in 2007.

The good news for wireless consumers is that for the first time since 2003, no states imposed a new industry-specific tax or increased the rate of an existing discriminatory wireless tax. In fact, Virginia eliminated a telecommunications-specific tax while Utah reduced the rate of local wireless tax. Virginia approved a sweeping telecommunications tax reform bill that reduced wireless consumer taxes from a maximum of \$3 per month per consumer to 5 percent, the same rate as the combined state and

local sales tax rate. As a result of that reform, wireless consumers pay the same tax rates on their service as purchases of other competitive goods and services subject to the sales tax. The Utah Legislature lowered the local wireless tax from a maximum of 4 percent to a maximum of 3.5 percent. Another major consumer tax reduction — the elimination of the 1.25 percent telecommunications infrastructure fund tax — was approved by the Texas Legislature in the 2007 session but will not take effect until 2008, so it is not reflected in the 2007 data.

Perhaps state and local policymakers are getting the message that it is bad tax policy to single out one industry for excessive taxation.

Alaska, Connecticut, Idaho, Montana, and Wisconsin increased 911 fees between July 2006 and July 2007. The increases in Connecticut (up 3 cents per month) and Wisconsin (up 9 cents per month) were relatively modest. Montana doubled the statewide 911 fee from 50 cents to \$1 per month. In Alaska, Juneau raised its 911 fee from 75 cents to \$1.90 per month after legislation approved by the Legislature in 2005 raised the cap on 911 fees to \$2 per month. Boise, Idaho, raised its 911 fee from 75 cents to \$1 per month.

Three states lowered their 911 fees. Arizona lowered the monthly fee from 28 cents to 20 cents per month, while Indiana reduced its fee from 65 cents per month to 50 cents per month. Utah lowered both the state 911 fee (from 13 cents to 8 cents per month) and the maximum permissible local 911 fee (from 65 cents to 61 cents per month).

Outlook for 2008 and Beyond

The reduction in state-local wireless tax burdens in 2007 is a bit of good news for wireless consumers after three previous years of increasing taxes and fees. Perhaps state and local policymakers are getting the message that not only is it bad tax policy to single out one industry for excessive taxation, but it is bad economic policy to impose burdensome taxes on an industry that is investing in infrastructure that helps businesses improve productivity. Recent evidence suggests otherwise, however, raising concerns that wireless consumers may continue to be targeted for new taxes and fees, especially if states and localities experience deteriorating revenues because of the real estate market and the broader economy. Actions in Maryland, Michigan, and Illinois at the end of 2007 suggest that wireless consumers should be concerned.

In Illinois the General Assembly doubled the Chicago 911 fee from the already excessive level of

\$1.25 per month to \$2.50 per month, effective on January 1, 2008. As a result, Chicago customers will pay over 22.5 percent in taxes and fees on their bill in 2008. Also, the Cook County commissioners considered but so far have rejected an additional tax of \$4 per month that would have increased the tax burden on Chicago residents by another 8 percent — bringing it to over 30 percent. It's troubling for consumers that state and local policymakers would even consider increasing taxes and fees in Chicago when rates already exceed 20 percent.

Legislation in Michigan to impose a new telephone tax of \$1.35 per month to fund public safety and other programs not related to emergency communications was narrowly defeated in December. That proposal may represent a new trend — wireless and other telecommunications customers being tapped to fund public safety programs that have been historically funded out of broad-based general fund revenues. Although that proposal was defeated, the Legislature authorized counties to impose new 911 fees on wireless consumers.

In Prince George's County, Md., the council approved a proposal to raise the county telecommunications tax from 8 percent to 11 percent. However, pressure from consumers led the council to postpone the effective date of the increase and place the proposal on the November 2008 ballot.

State and local revenue is starting to show signs of stress at the end of 2007 because of the downturn in housing prices and growing worries about an economic downturn. Therefore, the 2008 legislative sessions should be an important barometer of whether policymakers have stopped targeting wireless consumers for excessive new taxes or whether the industry and its consumers will once again be facing new tax threats.

If state lawmakers and local officials target wireless consumers for new taxes and fees, they can expect more resistance than in the past. Wireless consumers have become more aggressive and organized in their efforts to oppose discriminatory taxes and fees. Wireless carriers and their national trade association, CTIA - The Wireless Association, have identified lowering discriminatory taxes and fees as a major national priority for the industry.

Appendix A. State and Local Transaction Taxes, Fees, and Government Charges on Wireless Service — July 1, 2007			
State	Type of Tax	Rate	Comments
Alabama	AL cell service tax	6.00%	Access, interstate and intrastate
	E911	1.40%	70 cents/month
	Total transaction tax	7.40%	
Alaska	Local sales tax	2.50%	Avg. of Juneau (5%) & Anchorage (0%)
	Local E911	3.40%	Up to \$2/month eff. 9/22/05 (Anchorage — \$1.50; Juneau — \$1.90)
	State universal service fund	0.86%	1.2% rate times 71.5% FCC intrastate safe harbor
	Total transaction tax	6.76%	
Arizona	State sales (transaction priv.)	5.60%	Intrastate telecommunications service
	County sales (transaction priv.)	0.60%	Phoenix (Maricopa Cty.) = 0.7%; Tucson (Pima Cty.) = 0.5%
	City telecommunications	3.35%	Avg. Phoenix (4.7%) & Tucson (2%)
	911	0.40%	Reduced from 28 cents to 20 cents/month on 7/1/07
	Total transaction tax	9.95%	
Arkansas	State sales tax	6.00%	6% effective 3/1/2004
	Local sales taxes	2.38%	Avg. Little Rock (1.5%) & Fayetteville (3.25%)
	State high cost fund	0.70%	Intrastate (reduced from 1.7% to 0.7% effective 1/1/07)
	Wireless 911	1.00%	50 cents/month statewide. New local 911 — up to 30 cents/mo effective 9/1/03
	Total transaction tax	10.08%	
California	Local utility user tax	8.75%	Avg. of Los Angeles (10%) and Sacramento (7.5%)
	State 911	0.65%	Reduced to 0.5% on 11/1/2007
	Public utility commission fee	0.11%	Intrastate
	Universal lifeline telephone service	1.15%	Intrastate
	Deaf/California relay service	0.37%	Intrastate
	California high cost fund — A & B	1.51%	Intrastate
	California teleconnect fund	0.13%	Intrastate
	Total transaction tax	12.67%	
Colorado	State sales tax	2.90%	Access and intrastate
	Local sales taxes	3.56%	Avg. of Denver (3.62%) & Colorado Springs (3.5%)
	Local sales — Regional Transportation District, Scientific and Cultural Facilities District, Baseball Stadium District	1.10%	Denver (1.2%) & Colorado Springs (1%)
	911	1.40%	Denver (70 cents) & Colorado Springs (70 cents)
	Universal service fund	1.93%	2.7% rate times 71.5% FCC safe harbor
	Total transaction tax	10.89%	
Connecticut	State sales tax	6.00%	Access, interstate, and intrastate
	911	0.80%	Increased from 37 cents to 40 cents per month effective 6/1/2007 docket 07-01-03
	Total transaction tax	6.80%	
Delaware	Public utility gross receipts tax	4.25%	Access and intrastate
	Local 911 tax	1.20%	60 cents/month
	Total transaction tax	5.45%	

**Appendix A. State and Local Transaction Taxes, Fees, and Government Charges
on Wireless Service — July 1, 2007
(continued)**

State	Type of Tax	Rate	Comments
District of Columbia	Telecommunications Privilege Tax	10.00%	Monthly gross charge; 11% for nonresidential
	911	1.52%	76 cents per month; levied on carriers but passed to subscribers
	Total transaction tax	11.52%	
Florida	State communications services	9.17%	Access, interstate and intrastate
	Local communications services	6.06%	Jacksonville 5.82% & Tallahassee 6.29%
	911	1.00%	Up to 50 cents/month statewide
	Total transaction tax	16.23%	
Georgia	State sales tax	2.80%	4% of access charge — assume \$35
	Local sales tax	2.45%	Average rate Atlanta (4%) & Augusta (3%)
	Local 911	3.00%	Atlanta — \$1.50/line; Augusta — \$1.50/line
	Total transaction tax	8.26%	
Hawaii	Public service co. tax	4.00%	
	General excise tax	1.88%	
	Public utility commission fee	0.50%	0.5% of intrastate
	Wireless 911	1.32%	66 cents per month, effective 7/1/04
	Total transaction tax	7.70%	
Idaho	Telephone service asst. program	0.12%	Set annually by Public Utility Commission — currently 6 cents/month
	Statewide wireless 911	2.00%	Boise = increased from 75 cents/month to \$1/month
	Total transaction tax	2.12%	
Illinois	State telecom excise tax	7.00%	Access, interstate, and intrastate
	Simplified municipal tax	3.75%	Avg. of Chicago (6.5%) & Springfield (1%)
	Wireless 911	2.00%	Chicago \$1.25/month; others 75 cents/month
	Total transaction tax	12.75%	
Indiana	State sales tax	6.00%	Access and intrastate
	Utility receipts tax	1.40%	Same base as sales tax
	Wireless 911	1.00%	Up to \$1 set annually by board; currently 50 cents/month
	Public utility commission fee	0.15%	
	Total transaction tax	8.55%	
Iowa	State sales tax	5.00%	Access, intrastate
	Local option sales taxes	1.00%	Average of Cedar Rapids (1%) & Des Moines (1%)
	Wireless 911	1.30%	65 cents per month
	Dual party relay service fee	0.06%	3 cents per month
	Total transaction tax	7.36%	
Kansas	State sales tax	5.30%	Intrastate and interstate
	Local option sales taxes	2.08%	Average of Wichita (2.0%) & Topeka (2.15%)
	Universal service fund	2.74%	4.35% x 62.9% FCC safe harbor reduced from 4.34%
	Wireless 911	1.00%	25 cents/month state and 25 cents/month county
	Total transaction tax	11.12%	

**Appendix A. State and Local Transaction Taxes, Fees, and Government Charges
on Wireless Service — July 1, 2007**
(continued)

State	Type of Tax	Rate	Comments
Kentucky	State sales tax	6.00%	Access, interstate, and intrastate
	School utility gross receipts	1.50%	Average Frankfort (3%) & Louisville (0%)
	Lifeline support charge	0.16%	8 cents per month Frankfort & Louisville
	Wireless 911	1.40%	70 cents/month
	Communications gross receipts tax	1.30%	1.3% effective 1/1/2006
	Total transaction tax	10.36%	
Louisiana	State sales tax	3.00%	Intrastate rate
	Wireless 911	1.70%	New Orleans 85 cents/month & Baton Rouge 85 cents/month
	State universal service fund	1.46%	
	Total transaction tax	6.16%	
Maine	State service provider tax	5.00%	Intrastate
	911 tax	1.00%	50 cents/month
	Maine universal service fund	0.83%	1.33% x 62.9% FCC intrastate safe harbor
	Maine telecommunications education access fund	0.44%	0.7% x 62.9% FCC intrastate safe harbor
	Total transaction tax	7.27%	
Maryland	State sales tax	5.00%	Mobile telecommunications service
	Local telecom excise	3.50%	\$3.50 per month in Baltimore; No tax in Annapolis
	State 911	0.50%	25 cents/month
	County 911	1.50%	Baltimore 75 cents/month; Annapolis 75 cents/month
	Total transaction tax	10.51%	
Massachusetts	State sales tax	5.00%	Interstate and intrastate
	Wireless 911	0.60%	30 cents/month
	Total transaction tax	5.60%	
Michigan	State sales tax	6.00%	Interstate and intrastate
	Wireless 911	0.58%	29 cents/month (reduced from 52 cents/month on 1/1/2006)
	Total transaction tax	6.58%	
Minnesota	State sales tax	6.50%	Interstate and intrastate
	Local sales tax	0.58%	Minneapolis (0.65%) & St. Paul (0.5%)
	911	1.30%	Max. 65 cents/month effective 6/2005 — Public Utility Commission has authority
	Telecom access Minnesota fund	0.12%	Set by Public Utility Commission — currently 6 cents/month
	Total transaction tax	8.50%	
Mississippi	State sales tax	7.00%	Access, interstate and intrastate
	Wireless 911	2.00%	\$1 per month per line
	Total transaction tax	9.00%	
Missouri	State sales tax	4.23%	Access and intrastate
	Local sales taxes	3.00%	Average Jefferson City (2.5%) & Kansas City (3.5%)
	Local business license tax	8.50%	Average of Jefferson City (7%) & Kansas City (10%)
	Total transaction tax	15.73%	

**Appendix A. State and Local Transaction Taxes, Fees, and Government Charges
on Wireless Service — July 1, 2007**
(continued)

State	Type of Tax	Rate	Comments
Montana	Telecom excise tax	3.75%	Access, interstate, and intrastate
	911 and E911 tax	2.00%	\$1 per number per month
	Telecommunication devices for the deaf tax	0.20%	10 cents per number per month
	Total transaction tax	5.95%	
Nebraska	State sales tax	5.50%	Access and intrastate
	Local sales tax	1.50%	Lincoln (1.5%) and Omaha (1.5%)
	City business and occupation tax	5.88%	Avg. of Omaha (6.25%) and Lincoln (5.5%)
	State universal service fund	4.37%	6.95% x 62.9% FCC intrastate safe harbor
	Wireless 911	1.00%	Up to 70 cents per month effective 7/1/2006; currently 50 cents
	Telecommunications relay service (deaf)	0.10%	5 cents per month effective 7/1/2007
	Total transaction tax	18.35%	
	Nevada	Local franchise/gross receipts	1.50%
Local 911 tax		0.50%	Up to 25 cents/month — imposed by counties
State deaf relay charge		0.06%	3 cents per month — effective 1/1/05
Total transaction tax		2.00%	
New Hampshire	Communication services tax	7.00%	Access, interstate, and intrastate
	911 tax	0.84%	42 cents per month per CMRS number
	Total transaction tax	7.84%	
New Jersey	State sales tax	7.00%	Increased to 7% effective 7/15/2006
	Wireless 911	1.80%	90 cents per month effective 7/1/2004
	Total transaction tax	8.80%	
New Mexico	State gross receipts (sales) tax	5.00%	5% intrastate; 4.25% interstate
	City and county gross receipts tax	2.38%	Avg. Santa Fe (2.875%) & Albuquerque (1.875%)
	Wireless 911	1.02%	51 cents per month per subscriber
	Telecommunications relay service (deaf) surcharge	0.33%	Intrastate
	State universal service fund	1.89%	3% times 62.9% FCC intrastate safe harbor
	Carrier utility charge	0.40%	
	Total transaction tax	11.01%	
New York	State sales tax	4.00%	Intrastate and monthly access
	Local sales taxes	4.06%	New York City (4.125%); Albany (4%)
	Metropolitan commuter transportation district (New York City and surrounding counties) sales tax	0.13%	New York City — .25%; Albany 0%
	State excise tax (186e)	2.50%	Mobile telecom service — includes interstate
	Metropolitan commuter transportation district (New York City and surrounding counties) excise/surcharge (186e)	0.30%	New York City & surrounding counties — 0.6%; Albany 0%
	Local utility gross receipts tax	1.51%	New York City — 86% of 2.36%; Albany 1%
	State wireless 911	2.40%	\$1.20 per month
	Local wireless 911	0.60%	30 cents per month — NYC & most counties
	Metropolitan commuter transportation district (New York City and surrounding counties) surcharge (184)	0.07%	New York City 0.13%; Albany — no tax
	New York franchise tax (184)	0.38%	
	School district utility tax	0.00%	Up to 3% — no tax in New York City and Albany
	Total transaction tax	15.94%	

**Appendix A. State and Local Transaction Taxes, Fees, and Government Charges
on Wireless Service — July 1, 2007
(continued)**

State	Type of Tax	Rate	Comments
North Carolina	State sales tax	6.75%	Access, interstate and intrastate
	Wireless 911	1.40%	Reduced from 80 cents/month to 70 cents/month on 10/1/05.
	Telecommunications relay service (deaf) Charge	0.22%	11 cents/month drops to 9 cents/month on 1/1/08
	Total transaction tax	8.37%	
North Dakota	State sales tax	5.00%	Access and intrastate
	Local sales taxes	1.00%	Average Fargo (1%) & Bismarck (1%)
	State gross receipts tax	2.50%	Interstate and intrastate
	Local 911 tax	2.00%	Up to \$1/month
	Telecommunications relay service (deaf)	0.08%	Up to 11 cents/month — currently 4 cents
	Total transaction tax	10.58%	
Ohio	State sales tax	5.50%	Access, interstate, and intrastate
	Local sales taxes	1.63%	Columbus (1.25%) & Cleveland (2%)
	Regulatory fee	0.11%	
	State/local wireless 911	0.64%	32 cents per month effective 8/1/05
	Total transaction tax	7.88%	
Oklahoma	State sales tax	4.50%	Access, interstate, and intrastate
	Local sales taxes	3.95%	Average of Oklahoma City (3.875%) & Tulsa (4.017%)
	Local 911	1.00%	Up to 50 cents per month
	Universal service fund	0.30%	0.3% of intrastate charges
	Total transaction tax	9.75%	
Oregon	Local utility tax	0.00%	No tax on wireless in Portland or Salem
	911 tax	1.50%	75 cents per month
	Telecommunication devices for the deaf/low income subsidy	0.16%	Up to 35 cents /month — currently 8 cents /mo
	Total transaction tax	1.66%	
Pennsylvania	State sales tax	6.00%	Access, interstate, and intrastate
	State gross receipts tax	5.00%	Access, interstate, and intrastate
	Local sales tax	0.50%	Philadelphia 1% & Harrisburg 0%
	Statewide wireless 911	2.00%	\$1 per month — effective 4/1/04
	Total transaction tax	13.50%	
Rhode Island	State sales tax	7.00%	Access, interstate, and intrastate
	Gross receipts tax	5.00%	Access, interstate, and intrastate
	911 fee	2.00%	\$1 per month
	Additional wireless 911 fee	0.52%	26 cents per month effective 7/1/2004
	Total transaction tax	14.52%	
South Carolina	State sales tax	6.00%	Access, interstate, and intrastate
	Local sales tax	1.25%	Average of Charleston (1.5%) & Columbia (1%)
	Municipal license tax	1.00%	Charleston (1%) & Columbia (1%)
	911 tax	1.20%	60 cents/month
	Total transaction tax	9.45%	

**Appendix A. State and Local Transaction Taxes, Fees, and Government Charges
on Wireless Service — July 1, 2007**
(continued)

State	Type of Tax	Rate	Comments
South Dakota	State sales tax	4.00%	Access, interstate, and intrastate
	State gross receipts tax	4.00%	Wireless only effective 7/1/03
	Local option sales tax	1.96%	Average of Pierre (2.0%) & Sioux Falls (1.92%)
	911 excise	1.50%	Up to 75 cents per month
	Telecommunications relay service (deaf) fee	0.30%	15 cents per month
	Public utility commission fee	0.15%	Intrastate receipts
	Total transaction tax	11.91%	
Tennessee	State sales tax	7.00%	Access, interstate, and intrastate
	Local sales tax	2.50%	Statewide local rate for intrastate
	911 tax	2.00%	\$1/month (statute caps rate at \$3/month)
	Total transaction tax	11.50%	
Texas	State sales tax	6.25%	Access, interstate, and intrastate
	Local sales tax	2.00%	Austin (2%) & Houston (2%)
	Telecom infrastructure fund	1.25%	Repealed effective 10/1/2008
	Wireless 911 tax	1.00%	50 cents per month
	Texas universal service fund	2.77%	4.4% times FCC intrastate safe harbor (62.9%)
	911 equalization surcharge	1.00%	Intrastate long distance
	Total transaction tax	14.27%	
Utah	State sales tax	4.75%	Access and intrastate
	Local sales taxes	1.93%	Average of Salt Lake City (2.1%) & Provo (1.75%)
	Local utility wireless	3.50%	Up to 3.5% maximum (reduced by the Legislature in 2007)
	Local 911	1.22%	Max reduced from 65 cents/mo. to 61 cents/month
	State 911	0.16%	Reduced from 13 cents/month to 8 cents/month on 7/1/07
	Poison control	0.14%	7 cents/month
	State universal service fund	0.50%	Intrastate revenue
Total transaction tax	12.20%		
Vermont	State sales tax	6.50%	Access, interstate, and intrastate
	State universal service fund (also funds 911)	1.25%	1.25% effective 7/1/2006 through 9/1/2008
	Total transaction tax	7.75%	
Virginia	State communications sales tax	5.00%	
	Wireless 911	1.50%	75 cents/month
	Total transaction tax	6.50%	
Washington	State sales tax	6.50%	Access, interstate, and intrastate
	Local sales taxes	2.15%	Average Olympia (1.9%) & Seattle (2.4%)
	Business and occupation tax/utility franchise — local	6.38%	Olympia (6.38%) & Seattle (6.38%) average
	911 — state	0.40%	20 cents/month
	911 — local	1.00%	Up to 50 cents/month
	Total transaction tax	16.43%	
West Virginia	Wireless 911	6.01%	\$3 per month
	Total transaction tax	6.01%	

**Appendix A. State and Local Transaction Taxes, Fees, and Government Charges
on Wireless Service — July 1, 2007**
(continued)

State	Type of Tax	Rate	Comments
Wisconsin	State sales tax	5.00%	Access, intrastate, and interstate
	Local sales tax	0.55%	Average of Milwaukee (0.6%) & Madison (0.5%)
	Wireless 911	1.84%	92 cents per month, set by PSC
	Total transaction tax	7.39%	
Wyoming	State sales tax	4.00%	Access and intrastate
	Local sales tax	1.50%	Average of Cheyenne (2%) & Casper (1%)
	Telecommunications Relay Service (deaf)	0.12%	Up to 25 cents/month — 6 cents currently
	Universal service fund	1.05%	Intrastate retail revenue
	911 tax	1.50%	75 cents/month — levied by counties
	Total transaction tax	8.17%	
Average Revenue Per Unit (wireless industry metric = revenue per subscriber) = \$49.94 Sources: Committee On State Taxation, "50-State Study and Report on Telecommunications Taxation," May 2005 Update Updated September 2007 by Scott Mackey, Kimbell Sherman Ellis, using state statutes and regulations. Average Revenue Per Unit (wireless industry metric = revenue per subscriber) data: Cellular Telephone and Internet Association, June 2007.			

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