



April 22, 2008

## **An Open Letter to the United States House of Representatives: Support the Cell Tax Fairness Act**

Dear Representative:

On behalf of the 362,000 members of the National Taxpayers Union (NTU), I urge you to support the Cell Tax Fairness Act of 2008 (H.R. 5793). This bipartisan legislation – championed by Representative Zoe Lofgren (D-CA) and Representative Chris Cannon (R-UT) – would prevent any state or local jurisdiction from imposing a new discriminatory tax on cell phone services for the five years following the bill's enactment.

Unfortunately, states and localities are scrambling to add predatory taxes on wireless phone service to pay for projects that have little to do with improving the communications network. Between January 2003 and July 2007, taxes on cell phone service increased four times faster than those imposed on other general goods and services.

There is plenty of evidence that cell phone users have been hit hard with unfairly high tax rates. According to Representative Lofgren, "A typical consumer already pays 15.19 percent in federal, state, and local taxes on their cell phone bill as compared to 7.07 percent for most other taxable goods and services." 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 – again, nearly double the sales tax rate levied on other goods and services.

To make matters worse, research from the National Taxpayers Union 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.

State and local governments should not discriminate among products or services by disadvantaging one with heavier taxes. H.R. 5793 would protect tax-paying cell phone customers from politicians who would in effect pick marketplace winners and losers via unfair tax policy. A five-year moratorium on new discriminatory cell phone taxes is an eminently reasonable, pro-consumer goal.

While NTU would support efforts to reduce existing cell phone taxes and remove certain mandatory fees, this bill leaves current taxes in place and would not affect Universal Service Fund or E-911 fees.

**Should the House consider the Cell Tax Fairness Act, we would classify a vote in favor of H.R. 5793 as the "pro-taxpayer" position in our annual Rating of Congress. We urge your co-sponsorship of this important bill.**

Sincerely,

Kristina Rasmussen  
Director of Government Affairs