



Women And Technology Today

Training 150: Wireless Taxes Today

Course Instructor:

Tramell Alexander,

VP State Tax Policy – South Area, Verizon
Communications





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National nonpartisan public policy organization representing over half a million Women Business Owners including over 49 business organizations.

Advocates for and on behalf of women and minorities in business.

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WATT Program:

National program from WIPP's "Women, Money and Opportunity: Powered by WIPP" series.

The WATT program is designed to educate women business owners on strategies to accelerate growth by understanding technology investment, and how to manage it.

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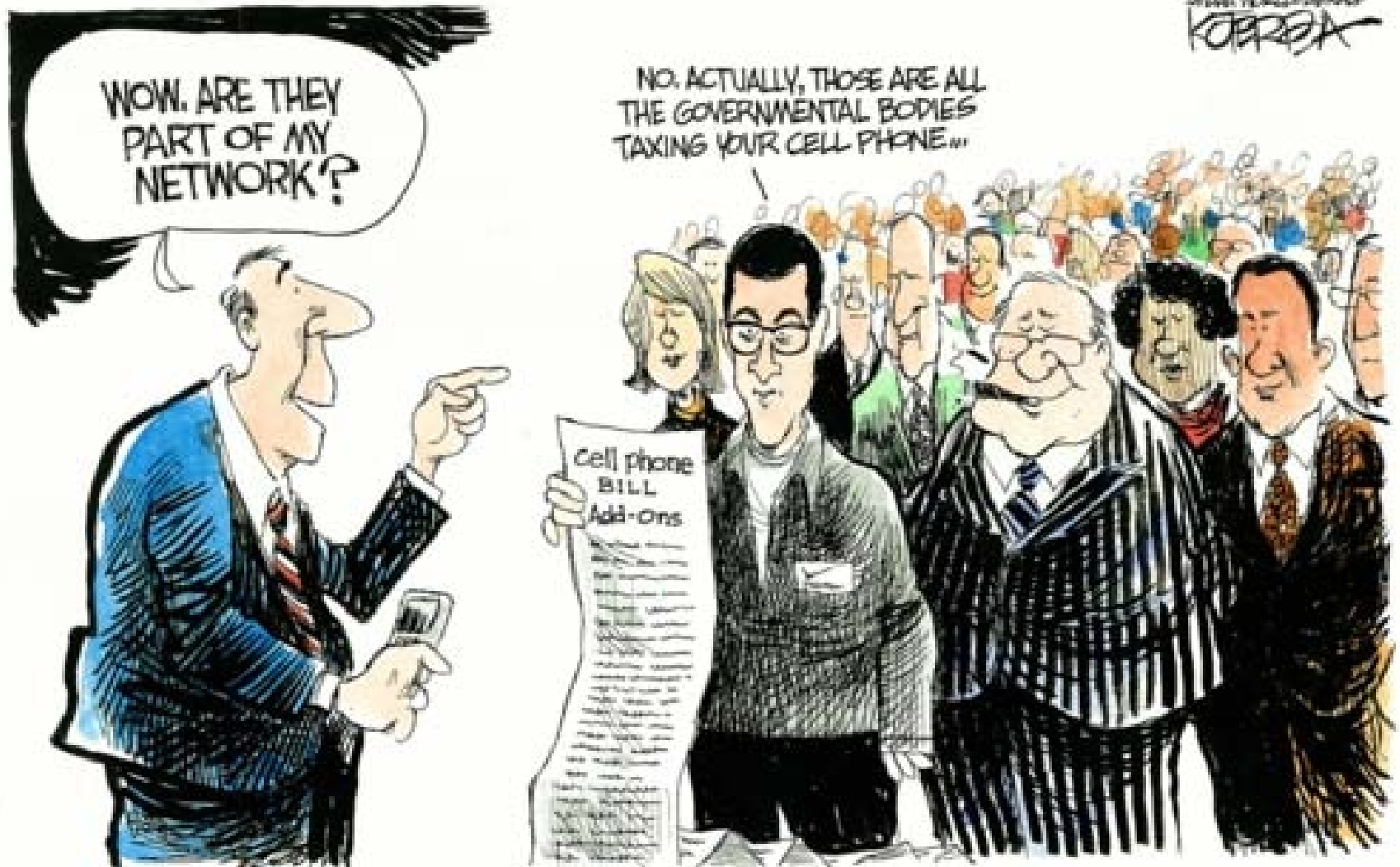
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South Area,
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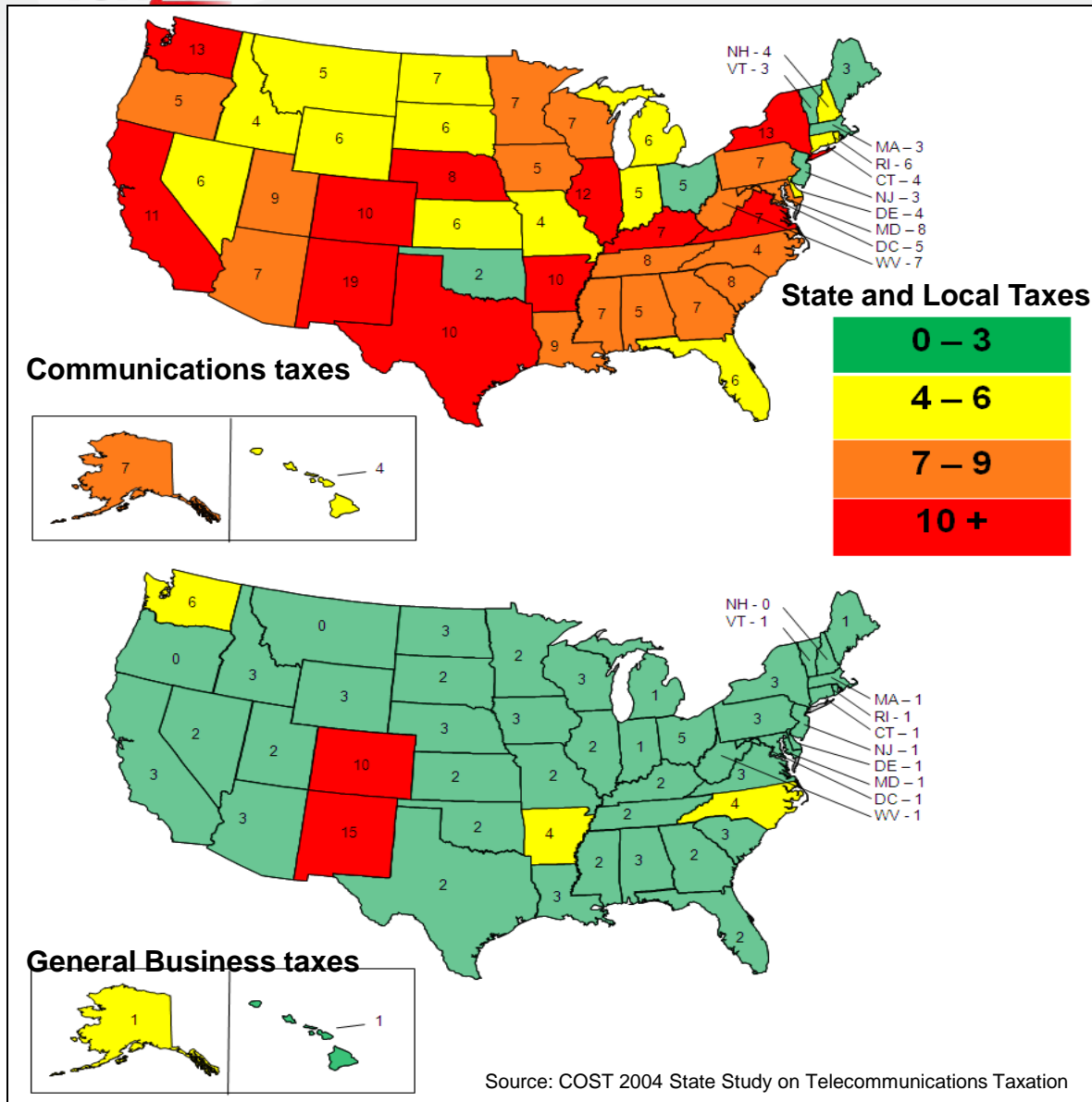
WIRELESS TAXES TODAY:

**What's Going On, Why it Matters, and
What You Can Do About It**





State/Local Taxes on Communications vs. General Business



- In 2004 telecom providers paid over 344 different state and local taxes
- The taxes paid by telecom was nearly three times the number of taxes paid by general business, which was 123 in 2004
- On average, states impose seven different taxes on telecom providers and just two on general business



Monthly Wireless Taxes and Fees, Selected Jurisdictions, April 2010

	Baltimore City, MD	Baltimore County, MD	Montgomery County, MD	Washington, DC	Alexandria Fairfax, VA	New York, NY	Philadelphia, PA	Boston, MA	Newark, NJ
Service Price	\$59.97	\$59.97	\$59.97	\$59.97	\$59.97	\$59.97	\$59.97	\$59.97	\$59.97
State Sales Tax	\$3.60	\$3.60	\$3.60		\$3.00	\$2.40	\$3.60	\$3.00	\$4.20
Local Sales Tax						\$2.62	\$0.60		
Other State Taxes						\$1.73	\$3.00		
Other Local Taxes	\$12.00		\$10.50	\$6.00		\$1.13			
911 Fees	\$1.00	\$1.00	\$1.00	\$2.28	\$2.25	\$4.50	\$3.00	\$2.25	\$2.70
Total Taxes & Fees	\$16.60	\$4.60	\$15.10	\$8.28	\$5.25	\$12.38	\$10.20	\$5.25	\$6.90
Taxes/Fees % of Bills	27.7%	7.7%	25.2%	13.8%	8.8%	20.6%	17.0%	8.8%	11.5%

•Source: Scott Mackey, Kimbell Sherman Ellis, Montpelier, VT – Compiled from state statutes



20th Century Telecom Tax System on Digital Commerce

Most states tax games as software -- if sold at a store, the retail sales tax applies. But if sold by a wireless provider, it could be taxed at a much higher communications services tax rate.

Federal law preempts Internet access and certain digital services (email) from state and local taxation (0%).

Text messages are taxed as telecom services (subject to higher rates).



Tones

Tunes

Games

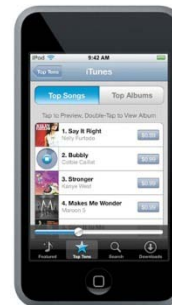
Web

TV

Text



iPhone



iTouch

In one state, ring tones are taxed at the higher communications services tax rate when sold by a wireless provider.

...But you can download the entire song to an iTouch and just pay the retail sales tax rate.



Why Do Telecom Taxes Matter?

Consumers pay artificially high prices.

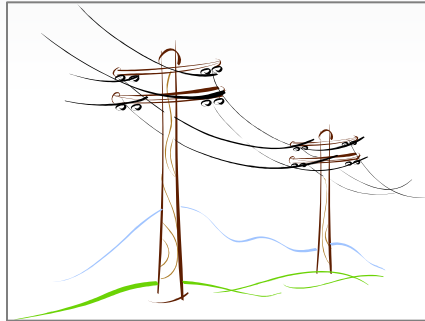
Telecommunications companies also pay more and higher taxes than general business. Examples include:

- Property taxes
- Business license taxes
- Right-of-way and tower siting taxes and fees

All of this leads to:

- Distorted competition
- Decreased broadband investment

Convergence of Technologies



Convergence of technologies:

Cable, telephone, satellite and wireless providers are all competing to provide the same services





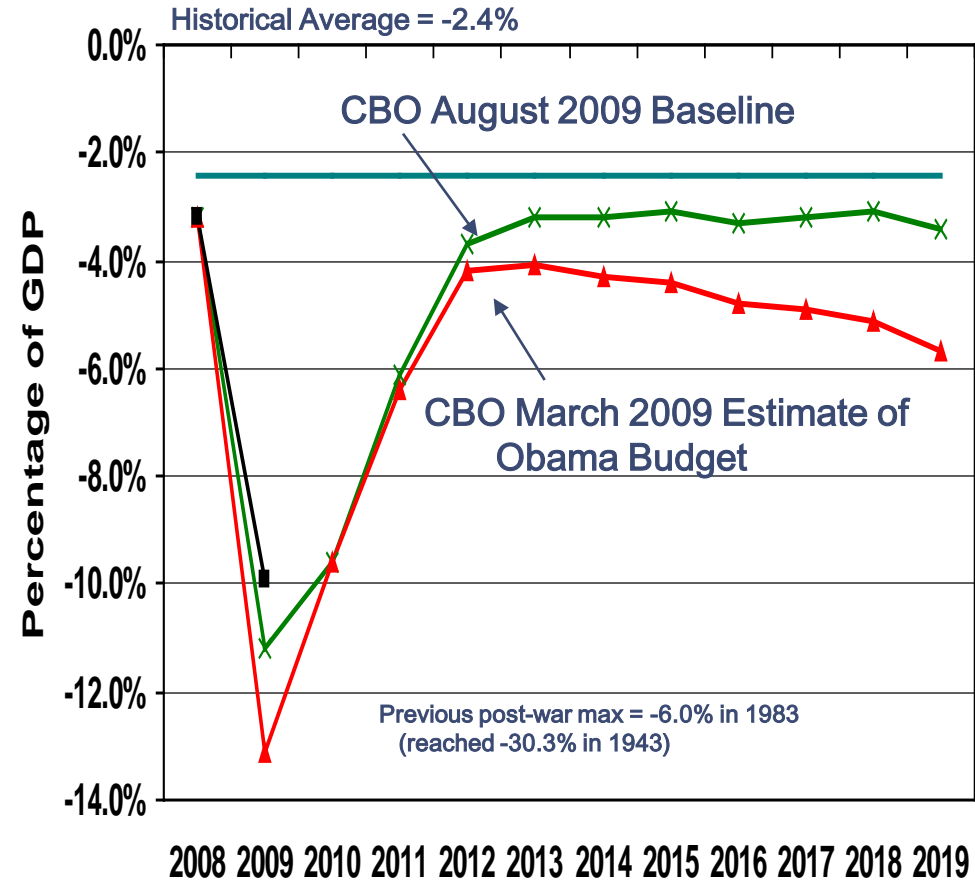
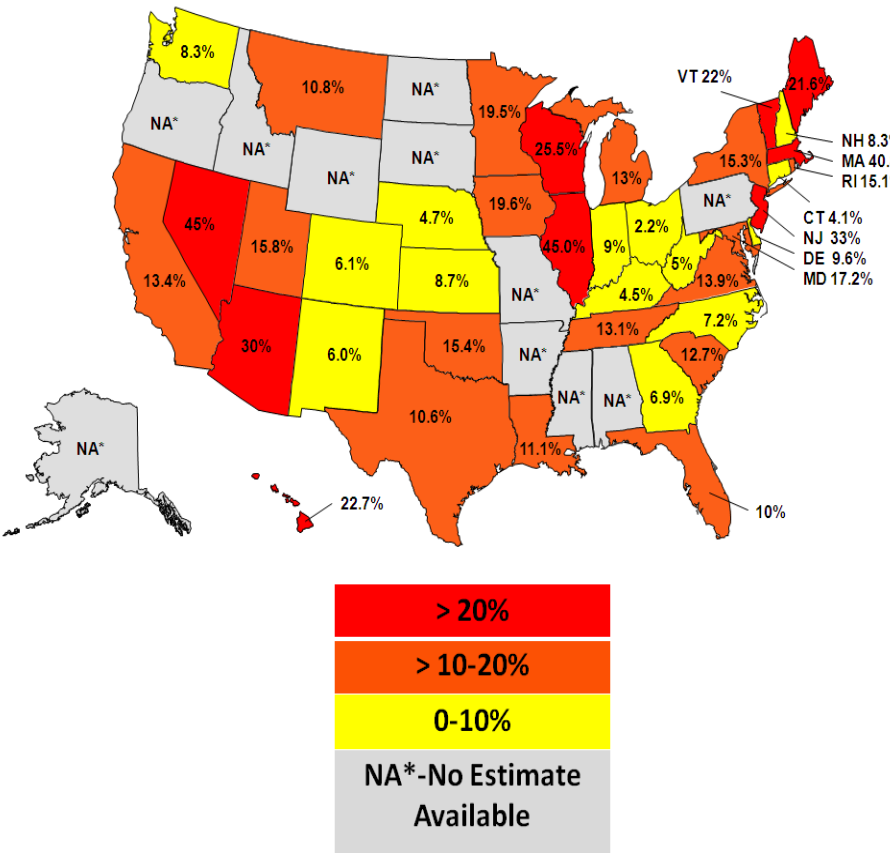
How Do Taxes Impact Investment?

- **The Investment Story: Taxes Impact Private Investment and Revenue Growth**
 - Outdated federal depreciation schedules increase tax costs associated with network investments
 - Each 1% increase in consumer taxes reduces company revenue by 1.2%, reducing free cash flow available for network upgrades. Each \$1 in new state and local consumer taxes reduces funds available for network investment by an average of 15 cents
 - Direct taxes on company assets (sales taxes on equipment, property taxes) – many of which do not apply to other businesses or are imposed on telecom providers at a higher rate -- reduce funds available for network investment and lower ROI from broadband



Fiscal State of the Fed and States: Budget Deficits Everywhere

2011 Estimated Budget Gaps



<http://innovation.cqpolitics.com/atlas/gov2010>



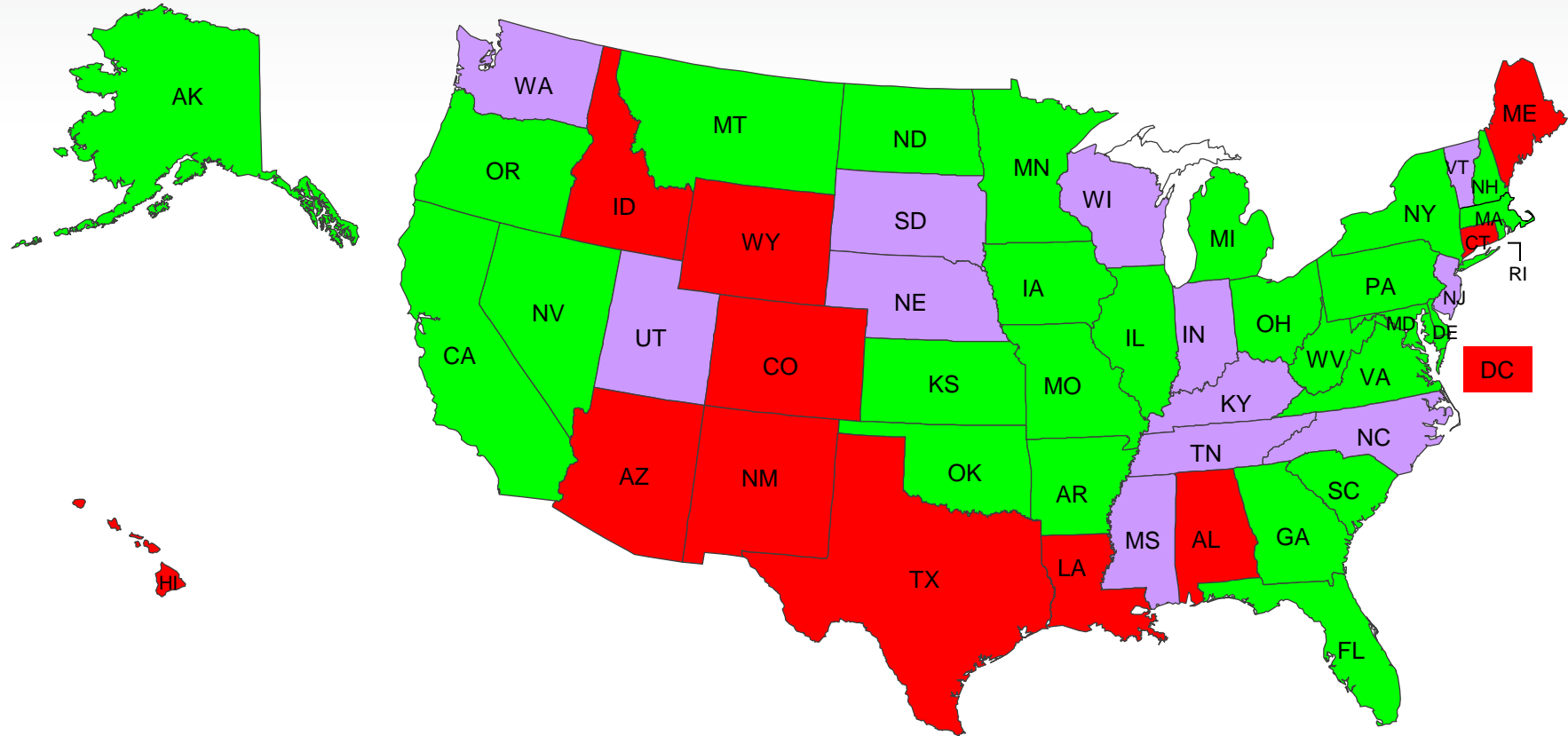
Digital Goods Legislative Activity - 2007



State Enacted Digital
Goods Tax in 2007



A Snapshot of Digital Goods Taxability - 2009



Digital Goods Taxed by DOR
Position or Case Law

Digital Goods
Non-Taxable

Digital Goods Taxed
by Statute



Federal Telecom Legislation

Digital Goods & Services Tax Fairness Act (HR 5649)

- A national framework is needed to prevent multiple and discriminatory taxation of digital goods and services being sold in interstate commerce

Cell Tax Fairness Act (HR 1521 & S 1192)

- Consistent with the goal of the National Broadband Plan to increase access to and adoption of mobile broadband services, a five-year moratorium on “new discriminatory taxes” on wireless services is needed. The legislation defines “new discriminatory taxes” to mean taxes that do not apply generally or taxes that are imposed on wireless at a higher rate.



Federal Telecom Legislation

- **Main Street Fairness Act (HR 5660)**
 - There is a need to increase transparency in the state and local taxation of communications services, through the application of the simplification provisions of the SSTP to all taxes imposed by state and local governments on broadband/communications services
- **Extension of Mobile Telecommunication Sourcing Act (MTSA) Provisions to New Technologies**
 - As technologies become increasingly mobile, certainty regarding which jurisdiction has nexus over “remote transactions” is needed
 - The MTSA provisions should be expanded to new technologies, including VoIP communications services



Digital Goods and Services Tax Fairness Act

- **What the measure *does*:**

- Establishes a national framework to preclude multiple state and local taxes and higher tax rates from being imposed on digital goods and services –
 - Clearly identifies which jurisdiction has the right to tax digital transactions, preventing multiple states from taxing the same transaction.
 - Precludes discriminatory taxes imposed on other services delivered over communications networks from being imposed on digital goods and services.
- Establishes clarity for –
 - The consumers purchasing these new innovative services.
 - States and local governments seeking to impose taxes on these new goods and services.
 - The businesses that act as tax collectors on behalf of the states and localities



Digital Goods and Services Tax Fairness Act

- What the measure *does not* do –

- Does not preclude states from taxing this segment of the new economy under generally applicable taxes (e.g., sales taxes), which in turn provides certainty to state and local governments regarding tax revenues received from digital commerce.



Digital Goods and Services Tax Fairness Act

- **Why is a national framework needed –**

- Congress has a clear role to act in tax matters impacting interstate and international commerce – digital commerce is sold over global networks crossing state boundaries.
- States and localities, needing new revenue sources, look to expand this part of the economy as a source of new tax revenues, without first ensuring that digital goods and services will not be subject to multiple and discriminatory levels of taxation.
- Failure to establish a national framework will invariably lead to costly and wasteful litigation.
- With a national framework, rules regarding international commerce can be established.



Cell Tax Fairness Act

- The Cell Tax Fairness Act would establish a five-year moratorium on any NEW taxes on wireless service.
- It has been endorsed by the National Black Conference of State Legislators, the National Hispanic Caucus of State Legislators, and the National Organization of Black Elected Legislative (NOBEL) Women.
 - Resolutions refer to negative impact that high taxes have on broadband access.
 - Wireless service a critical platform for broadband service for minorities and the poor.



State Communications Tax Reform

- Virginia reformed communications services taxes to closely mirror general retail sales taxes in 2007.
- Comprehensive reform efforts in other states have not been successful, though some states have committed to study the taxation of communications services.



What YOU Can Do

- 1) Support federal legislation that reforms communications taxes in a way that benefits YOU. Your Senators and Congressmen especially need to hear that you support:
 - HR 5649 Digital Goods & Services Tax Fairness Act
 - HR 1521 & S 1192: Cell Tax Fairness Act

- 2) Keep abreast of state communications tax reform studies and support efforts for true reform. Websites that will keep you informed:
 - www.mywireless.org
 - www.ctia.org
 - www.unfairdownloadtaxes.com



Questions?

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WOMEN, MONEY & OPPORTUNITY

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WIPP presents the *Women, Money and Opportunity* series, which combines policy, resources, and the wealth of knowledge within the WIPP community to educate women business owners. *Women, Money and Opportunity* programs employ webinars, events and tools to accomplish its educational endeavors of advancing and supporting women-owned firms.



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Entrepreneurs, Energy & Environment (E3)

WIPP Gateway Program for Opportunities in Energy & Environment
www.EntrepreneursandEnergy.com



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WIPP Gateway Program for Understanding Technology in Business
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