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**THE TRUTH ABOUT TELECOM TAXES AND REFORM:**  
*The Real Effect on Local Government*

**Washington, D.C.** –Local and state governments stand to lose \$8 billion a year in revenues if Congress further restricts their ability to levy taxes or fees on the telecommunications industry. According to a study released today by a coalition of local government organizations, including The U.S. Conference of Mayors, the National League of Cities, the National Association of Counties, the National Association of Telecommunications Officers and Advisors, and the Government Finance Officers Association, the jobs of more than 150,000 teachers, police officers and firefighters could be on the line if the telecom industry receives preferential treatment.

The coalition study, *The Local Government Perspective on Telecommunications Taxes*, debunks claims by the telecommunications industry that it is unfairly taxed relative to other businesses. Instead, it shows that the industry pays essentially the same level of property taxes as other businesses, and, in some cases, lower corporate income taxes than many “general businesses.” The telecom industry also ignores that it is taxed at rates significantly lower than some other industries such as the utility industry.

Dearborn (MI) Mayor Michael A. Guido, President of The U.S. Conference of Mayors, said, “This study is important because it points out the flaws in the telecom industry’s 2004 COST Study, which significantly overstates the average state and local tax rate for the telecom industry. It would disturb me if any member of Congress would allow the COST Study to have influence over the debate to change our taxes on communications.”

Currently the Senate is considering a telecommunications reform bill that includes provisions that would severely restrict the ability of local and state governments to tax certain telecom services. Although the Senate bill would restrict only two sources of revenue for local governments, these provisions could represent the first step toward eliminating all telecom-specific state and local taxes. Some policymakers appear to be basing their support for telecom

tax reform on this flawed 2004 COST Study funded by the telecom industry. As a result, coalition members are actively opposing any legislation that impedes their taxing authority.

Montgomery County (MD) Council Member Marilyn Praisner, a member of the National Association of Counties Board of Directors and Chair of NACo's Telecommunications Steering Committee, said, "If Congress accepts the telecom industry's claims and changes their tax rates based on the industry's figures alone, the revenue loss to state and local governments would be significant."

The Coalition's study reveals that the estimated annual loss to state and local governments would be approximately \$8 billion every year. Eighty-one percent of all cities with populations over 50,000 would see their tax revenues decline. As a result, they would either be forced to cut services to local residents or raise taxes on other taxpayers.

Among other glaring flaws, the COST Study omits essential information and improperly lumps taxes together with various kinds of user fees, including right-of-way fees – which pay for the industry's use of public streets and sidewalks. The COST Study also ignores other special benefits the telecom industry receives under state and local law that other businesses do not. The Coalition believes that it would be foolhardy to enact federal laws based upon the weak and incomplete information in the COST Study.

"We stand for fairness for all industries involved in providing telecommunications services. There should be no favoritism to any one competitor so that we can have TRUE competition," said Arvada (CO) Mayor Ken Fellman, former head of NLC's Information Technology and Communications Committee and a member of NATOA's Board of Directors. "In addition, we are elected to be the watchdogs for our communities and have a responsibility to ensure that our local economic futures are secure. Any restriction on local authority to levy fees or taxes will have serious and negative long-term impacts."

The Coalition maintains that local governments are open to simplifying telecom taxes for the 21<sup>st</sup> Century. Local governments do not, however, accept the notion that 'reform' should be a disguise for federal preemption of state and local government taxing authority.

The Coalition also believes that the telecom industry's plea for federally mandated tax favoritism opens the door to other industries asking Congress for similar special exemptions from state and local tax authority, and poses a dire threat to state and local tax revenues.

For copies of the full report, executive summary and other materials, go to the websites for any the following organizations: USCM – [www.usmayors.org](http://www.usmayors.org); NLC – [www.nlc.org](http://www.nlc.org); NACo – [www.naco.org](http://www.naco.org); NATOA – [www.natoa.org](http://www.natoa.org); GFOA – [www.gfoa.org](http://www.gfoa.org)

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