Testimony of
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In Opposition to Bill No. 21-19

Before the Baltimore County Council

April 30, 2019

Chairman Quirk and members of the council, on behalf of CTIA, the trade association for the wireless communications industry and its member companies, I am here in opposition to Bill No. 21-19, which would drastically increase the taxes paid by all Baltimore County wireless consumers.

Bill No. 21-19 adds a new fee of $3.50 per month per access line on each subscriber in the county "to help fund the General Fund budget for County continuing operations and new initiatives for the benefit of its residents." While the wireless industry understands that hard decisions must be made in order to raise general revenue, this massive tax increase would not be beneficial and would in fact hurt residents of Baltimore County while also unfairly laying the burden on low income and minority families.

Wireless industry competition has led to significant reductions in average monthly bills even as consumers use more wireless services. The consumer benefits of lower prices for wireless service, however, have been partially offset by increases in government taxes and fees. Today, Baltimore County does not rank anywhere near the top in terms of high wireless tax jurisdictions. If the Council were to approve this proposal, Baltimore County would be among the highest wireless taxing jurisdictions in the United States becoming third in the country behind only Chicago and Baltimore City with a tax rate of nearly 35%.

While $3.50 a month doesn't sound like much, a family with four wireless lines on a family share plan would pay $168 per year in new taxes, which would more than double the current amount paid from an estimated $166 to $334, representing a 102% increase. As 95% of Americans now own a cellphone of some kind, this new proposal would essentially be a "head tax" on every Baltimore County adult and many children as well.

The proposed tax is estimated to raise $29.5 million in revenue, meaning a new tax on over 700,000 individual and business cell phone lines in Baltimore County. The County Executive has suggested that this tax is necessary to offset a decline in revenues from landline service due to residents "cutting the cord." However, data from the Maryland Association of Counties FY 2018 Budget and Tax Rates Survey suggests that the County has lost about $1 million in landline revenue in the last six years.[1] This tax increase would bring in 30 times more revenue that what the County has lost from the landline tax.

This all comes on the heels of legislation that Governor Hogan signed into law today that increases fees on Maryland wireless consumers, including Baltimore County residents. This new law doubles the twenty-five cents per line state 911 fee and allows Counties to double the seventy-five cents per line local 911 fee. If the allowable increases are approved, customers would pay an additional $84 per year in new 911 fees. With the proposed new $3.50 per line tax and the 911 fee increases, a family with

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[1] "FY 2018 Budget & Tax Rate Survey." *Budget & Tax Rate Survey | MACo*, Maryland Association of Counties, mdcounties.org/138/MACos-County-Budget-Tax-Rate-Survey.

four lines would see an increase the total tax bill from $166 per year today to $418 per year. This is excessive and unfair.

Furthermore, this would be one of the most regressive taxes in the country and will hurt low income families the most. Bill No. 21-19 proposes a flat tax across the board. This means that large businesses and more expensive/unlimited plans will be taxed the same as cheaper plans popular with low-income residents. For Baltimore County in particular, the proposal will especially hurt lower income constituents. Wireless service is increasingly the sole means of communication and connectivity for many Americans, especially lower income consumers. According to a 2018 study by the Pew Research Center, one-in-five American adults are "smartphone-only" internet users – meaning they own a smartphone, but do not have traditional home broadband service.

According to the same Pew study, reliance on smartphones for online access is especially common among younger adults, non-whites and lower-income Americans. 24% of black and 35% of Hispanic Americans are smartphone-dependent (do not use broadband at home, but own smartphones), compared to 14% white Americans. [2] This new proposal will effectively be punishing low-income residents that rely on wireless smartphones as their sole connection to the internet to look for employment, work a second job, or do homework.

Additionally, this proposal will not only affect consumers in the County, but also small businesses. The proposed new wireless tax will make it more expensive for businesses

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[2] "Demographics of Mobile Device Ownership and Adoption in the United States." *Pew Research Center: Internet, Science & Tech*, Pew Research Center: Internet, Science & Tech, 5 Feb. 2018, www.pewinternet.org/fact-sheet/mobile/.

located in Baltimore County, since many businesses rely on wireless devices to manage logistics, keep employees connected, and improve employee productivity. A Baltimore County small business with 25 employees using wireless phones will pay over $1,000 per year in new wireless taxes.

In conclusion, while this new proposal was created in order to benefit residents of the County, this proposal would turn Baltimore County into one of the most taxed jurisdictions for wireless services in the United States, would result in more than doubling the wireless tax and fee burden on Baltimore County wireless consumers and would unfairly place the burden on low income families. For these reasons, CTIA respectfully requests that you oppose Bill No. 21-19 and reject new taxes on wireless consumers.