Testimony of
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In Opposition to Washington House Bill 1460

Before the
Washington House Finance Committee

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Chair, Vice Chairs and committee members, on behalf of CTIA, the trade association for the wireless communications industry, I submit this testimony in opposition to House Bill 1460. This legislation would result in wireless consumers paying in excess of $21 million annually in new taxes on wireless services at a time when many consumers, especially those living near or below the poverty line, are already struggling to pay their bills. Meanwhile, the state of Washington already has the third highest wireless taxes in the country at nearly 30 percent. Furthermore, this legislation is not only preempted by federal law, but also is a stark contrast to the legislature’s progress in 2013 to move towards a more modernized communications tax system. Finally, billions of dollars of federal funding for broadband buildout have recently been allocated by Congress and the distribution of this funding will begin as early as this spring. For these reasons, CTIA opposes HB 1460.

The new tax on wireless service (“radio access lines”) imposed in Part VI of the bill would impose a new 25 cents per line excise tax, adding another $21 million in new taxes on wireless subscribers. This proposed tax would be regressive, imposing a significantly higher...
burden on the poorest Washington residents. Recent US government studies show that over 68 percent of adults living in poverty have “cut the cord” and rely solely on wireless for telephone service.¹ This new surcharge falls disproportionately on residents of modest means. In light of the economic impact the pandemic has had on families and small businesses – now is not the time to impose a new tax on wireless consumers who rely on their devices to stay connected.

While expanding access to broadband as much as possible is a goal of our member companies, CTIA must oppose a new tax on wireless services as wireless consumers in Washington already face the third highest tax burden in the country, and we do not believe it is fair to impose a new tax obligation on wireless consumers. A recent study found that the average wireless consumer pays in excess of 29 percent of their wireless bill in taxes, fees, and government surcharges.² Wireless consumers in Washington currently pay over $250 million in state and local sales taxes, state and local 911 fees, and local utility taxes. In addition to this bill, there are two other pending bills proposing tax increases on wireless consumers – a proposed 30 cent per line 988 fee (that would increase to 75 cents per line per month) and a

proposed tax on wireless devices. If one or more of these bills move forward, Washington would likely lead the nation with the highest wireless taxes on consumers.

Furthermore, part VII of the bill would also create a new “Internet Access Tax.” This proposed excise tax would be 25 cents on each Internet access subscription. The imposition of a tax on Internet access service is pre-empted by the federal Permanent Internet Tax Freedom Act (PITFA). Even if it were to survive a legal challenge, the proposed bill would result in the double taxation of wireless consumers. This is because many wireless consumers have both “radio access lines” and “Internet access subscriptions” on the same wireless plan. This means that any wireless consumer with a smartphone would pay the tax under both Part VI and Part VII of the bill.

Also of note, in 2013 this legislature made the decision to reform Washington’s communications taxes and made the wise decision to make sure that important programs like the Washington Telephone Assistance, Telecommunications Relay Service, and the state universal communications services program were funded by State General Fund appropriations and not fees on consumers’ communications bills. This put Washington ahead of the curve in modernizing their tax system. For example, there have been growing concerns at the federal level regarding the funding mechanisms for the Federal Universal Service Fund and its funding sustainability. One of the leading solutions to this growing problem is calling on Congress to appropriate funds out of general revenues in order to allow for more stability. HB 1460 would move in the opposite direction from the forward thinking policy that was
passed several years ago to modernize your tax structure and avoid future problems like at the federal government.

Finally, expanding rural broadband is a priority across the country, but this legislation is not the best answer. Congress recently enacted legislation creating federal government programs that address many of the goals of HB 1460. The Consolidated Appropriations Act (CAA) of 2021 appropriated approximately $5 billion for broadband deployment and adoption programs. Specifically, the CAA appropriated $3.2 billion to the Federal Communications Commission (FCC) for an Emergency Broadband Connectivity Fund, which the FCC will administer through the “Emergency Broadband Benefit Program.” Under this program, the FCC will make available to eligible households a monthly discount off the standard rate for internet service and equipment up to $50 per month. On Tribal lands, the monthly discount may be up to $75 per month.

Moreover, the CARES Act, passed by Congress last year allocates funds specifically to help rural communities connect to broadband internet, including $100 million to the U.S. Department of Agriculture’s Rural Utility Service (RUS) for its Reconnect Pilot Program, which provides grants for the costs of construction, improvement, or acquisition of facilities and equipment needed to provide broadband service in eligible rural areas. In addition to providing increased funding to connect underserved populations to the Internet, the CARES Act also appropriates specific funding for remote education, healthcare, and work.
During this pandemic, wireless connectivity has literally been a lifeline for millions of Americans. CTIA urges the committee not to add to the already excessive burden on wireless consumers with new taxes on their wireless service and not move HB 1460.