

House votes for 5-year freeze in new cell taxes

November 2 2011, By JIM ABRAMS , Associated Press

(AP) -- The House on Tuesday approved a five-year freeze on any new state and local taxes imposed on cellphones and other wireless services, including wireless broadband access.

The voice vote reflected a consensus that new taxes on wireless [mobile services](#) have far outpaced average sales taxes on other items and have become a deterrent to the spread of wireless broadband technology.

"We need to encourage the development and adoption of [wireless broadband](#), not tax it out of existence," said Rep. Zoe Lofgren, D-Calif., the sponsor of the legislation.

She said that in many places, the taxation of wireless approaches or even exceeds the rates of sin taxes on goods like alcohol and tobacco.

Her office said [wireless customers](#) now pay 16.3 percent in taxes and fees, more than double the average rate of 7.4 percent on other goods and services. It said taxes on wireless services hits 26.8 percent in Baltimore, 20.4 percent in New York City and 19.9 percent in Omaha, Neb.

"The exorbitant discriminatory taxes on wireless customers are not only unfair, they are counterintuitive, adding another costly impediment to the success of so many American businesses who are struggling in the midst of a prolonged recession," said Rep. Trent Franks, R-Ariz., co-sponsor of the bill with Lofgren.

The bill prohibits state and local governments from imposing new discriminatory taxes on mobile services, providers or property - cellphones - for five years. Discriminatory taxes are defined as those not generally imposed on other types of services and providers or imposed at a lower rate.

The only [lawmaker](#) to speak out against the bill was Rep. Judy Chu, D-Calif., who said it was a special interest measure for the wireless industry that was opposed by state government associations and organized labor.

"This will deny states the flexibility to respond to economic downturns during the moratorium and therefore undermine the ability of states to pay for essential services," she said.

Sens. Ron Wyden, D-Ore., and Olympia Snowe, R-Maine, have introduced identical legislation in the Senate.

"Wireless is a prime example of how every time a new innovation hits the market, governments invent new ways to tax it," Wyden said. He has argued that with the advent of 3G and 4G technology, wireless mobile devices are the gateway to the Internet but that discriminatory and duplicative taxes and fees are regressive, harm lower-income people and make access to the Internet unacceptably expensive.

The legislation was supported by the Cellular Telecommunications Industry Association, which said it was a "crucial step toward providing [wireless](#) subscribers with some much needed relief."

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