TEXAS PUBLIC POLICY FOUNDATION
PolicyBrief

May 2011
Center for Economic Freedom

The Satellite Tax: Bad for Texas Consumers

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Two prefiled amendments to HB 3790 would impose a new tax on ALL Texans who purchase video/cable services. There are three problems with this proposed new "satellite" or subscription video services tax.

First, it is a new tax on consumers in a state where they already pay some of the highest telecommunications taxes in the country. The average Texan with a landline telephone, cable, and cell phone pays $318 per year in taxes. And while the new tax would in some cases "replace" existing local franchise fees/taxes on certain video services, it would be an additional tax on video/cable customers who live in unincorporated areas or who get their video service through satellites. If some are concerned that we have an "unlevel playing field" because some consumers pay higher taxes than others, the answer is not to raise taxes on consumers who pay less taxes but to lower taxes on those who pay higher taxes.

Second, the satellite tax is an expansion of the local franchise fee, or tax, which is already far too high. In 2010, consumers who purchased services (telecommunications, electricity, natural gas, etc.) delivered through the local rights-of-way in Texas' 10 largest cities paid over $429 million dollars in franchise fees/taxes. Over the last three years, collections of the franchise fee/tax in these cities have totaled about $1.2 billion. Yet little more than one percent of this total was actually used by cities to manage the public right-of-way. The rest went to the cities' general revenue funds. That is why "fee" is a misnomer for the "franchise fee." Fees are charged to users for the use of something. But with the franchise fee, cities simply tax video services to generate revenues to support spending totally unrelated to the use of the public right-of-way. This also violates transparency standards by which money collected by the state should be used for the reason it is collected.

Third, the satellite tax completely eliminates the already tenuous nexus between the assessment of the fee/tax and the use of the public right-of-way. Regardless of how little of the revenue from the tax is appropriately used, at least the franchise tax is imposed on services that actually use the right-of-way. With the satellite tax, however, the connection would be lost. At this point, the tax on subscription video services would have no justification whatsoever, and becomes just another sales tax. But, of course, consumers already pay a sales tax on their cable and video services. Ultimately, then, consumers of all video services, no matter how the signals are received, would wind up paying two sales taxes for one product.

This new tax—whatever it is called—will harm both Texas consumers and the Texas economy.