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Businesses, Consumers Need a Break on Wireless Taxes

Cellular Service Is a Necessity, But It's Taxed Like a Luxury

by

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Today's economy has been tough on Maryland's small businesses. With consumers struggling with less disposable income and the state's unemployment rate stuck stubbornly high at near 7 percent, businesses have had to cut costs and tighten their belts any way they can.

Unfortunately, outdated tax policies are adding to our economic burdens. Despite weak growth and the threat of another recession, taxes on the wireless services used by nearly every Maryland business continue to rise. Across the U.S., for that matter, the average combined wireless tax rate has gone up every year since 2008.

According to a new study, Marylanders pay on average more than 18 percent in taxes on their wireless phones each month. This high rate puts Maryland among the top quarter of tax rates in the U.S.

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The days when wireless services were a luxury good that few could afford are long gone. Businesses large and small rely on wireless services for everything from communication to advertising to maintaining inventory. And low-income families show high rates of adoption for wireless services. Studies show that low-income families now spend more of their disposable income on wireless services than middle- and high-income families.

Simply put, wireless services have been transformed into a necessary service that many businesses — especially Maryland's small businesses — need to survive. And because these discriminatory taxes and fees on wireless services are typically regressive, the burden often falls especially hard on not only small business but also on low-income consumers.

Of course, high-speed wireless broadband services increasingly are used to access the Internet to perform all sorts of business and personal tasks previously performed by computers relying on landlines. Yet Maryland still treats wireless services more like yesterday's luxury good, subjecting them to special taxes and fees. Old-style telecom taxes burden consumers at a rate more than double the state's regular sales tax rate. And these wireless taxes just keep piling up; consumers are also assessed a 5.82 percent tax for the federal universal service fund, a program that is supposed to support phone service in hard-to-serve areas.

For struggling companies and entrepreneurs, increasing the tax burden on services vital to their business makes no sense. Congress can help provide a solution. The Wireless Tax Fairness Act (H.R.1002) would place a five-year moratorium on taxes singling out wireless services, giving states the time to standardize their taxation. Put simply, states would be prohibited from levying any additional taxes targeting wireless consumers for the next five years.

H.R.1002 passed the House by voice vote this year with the support of House Minority Whip Steny Hoyer of Maryland. A companion version of this bill (S.543) is now awaiting action in the Senate. After this year's contentious election cycle, Congress should be looking for any opportunity to signal bipartisan consensus. The Wireless Tax Fairness Act has been met with overwhelming support on both sides of the aisle.

Wireless consumers already pay more than their fair share in taxes and fees. Congress should enact legislation to provide Maryland businesses and consumers with much-needed relief.

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