

Congress of the United States
Washington, DC 20515

March 8, 2007



It's time to hang up on the regressive telephone tax
Join us as a cosponsor of H.R. 1194

Dear Colleague,

We would like to bring your attention to the 109 year-old federal excise tax (FET) on telecommunication services. This tax was introduced in 1898 as a "luxury" tax to fund the Spanish American War. While it may have made sense then, there is no question that telecommunication services today are necessities, not luxuries. In fact, this tax is applied to the least luxurious of telecommunication services: basic local telephone service.

This "temporary" tax has lost its original purpose. First applied in 1898 to help finance the three-month long Spanish-American war, FET revenues are deposited in the General Fund. Unlike other excise taxes that serve the purpose of decreasing consumption of the taxed product (i.e., alcoholic beverages and tobacco), there is no such purpose of the FET. Additionally, unlike other excise tax revenues, the FET revenues are not deposited into a specific account, similar to gas tax revenues deposited into the Highway Trust Fund. Other items subject to a "luxury" tax include airplane tickets, beer and liquor, firearms and cigarettes. Obviously, a telephone is a necessity for every American, and thus does not fit with this list of "luxury" and other excise tax items.

The FET now applies only to those that can not afford or choose not to subscribe to unlimited long-distance calling plans, cell phones, or high-speed Internet service. It is now regressive, and disproportionately burdens low-income, rural and lifeline telephone subscribers who have only local telephone service. In May 2006, the Internal Revenue Service (IRS) conceded the five appeals court decisions invalidating the long-distance portion of the FET and issued guidance that turned off the tax on long-distance and bundled wireless services. In fact, taxpayers can apply for this refund when they file their taxes this year. Therefore, the last lingering vestige of the tax that applies to local calls should be immediately repealed.

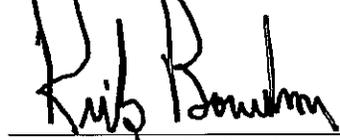
As more and more Americans buy bundled communication services, the projected tax revenue collected from the FET continues to decrease and only affect those with the least means to purchase more costly packages. The Congressional Budget Office (CBO) estimates that this tax will bring in \$1.5 billion over the next 10 years. The President's Fiscal Year 2008 Budget estimates \$1.2 billion in revenue over the same time span.

This tax is contrary to the national goal of having an advanced, highly efficient, and low cost communications network to serve the American people. Please help us hang up on the telephone tax by joining us on H.R. 1194. To become a cosponsor or for more information, please contact Edan Lichtenstein in the office of Congressman John Lewis (5-3801) or Janet Worthington in the office of Congressman Gary Miller (5-3201).

Sincerely,


JOHN LEWIS
Member of Congress


JIM RAMSTAD
Member of Congress


RICK BOUCHER
Member of Congress


GARY MILLER
Member of Congress