Eliminate the Federal Excise “Tax on Talking”

The "temporary" telephone excise tax, originally adopted a century ago as a “luxury” tax to help fund the Spanish American War in 1898 and re-imposed during World War I, is still with us today. The telephone excise tax, if not repealed this year, will have been imposed on consumers in three different centuries -- adding new meaning to "temporary." Today, the telecommunications industry is leading the information revolution, but taxes and mandates (which, when including state and local provisions, account for as much as 25 percent of a consumer's bill) are a hindrance to progress, particularly progress in decreasing phone costs.

Although the "Tax on Talking" is labeled an excise tax, it really functions as a general revenue tax since virtually all Americans subscribe to telephone service. With more than 94 percent of all Americans having telephone services, repeal of the 3 percent telephone tax will have a positive effect on nearly every household in America. Polling shows that a huge majority of telephone users believe that taxes and mandates are far too high.

Additional reasons to repeal the Federal telephone excise tax include:

- The telephone excise tax is highly regressive because low-income Americans pay a higher percentage of their income on telephone service than middle- or upper-income Americans.

- Repeal of the federal telephone excise tax would instantly accomplish what Congress intended to do by enacting the Telecommunications Act of 1996 – lower customer bills.

- The excise tax is anti-Internet. Americans increasingly dedicate lines solely for Internet access, and so phone taxes are, effectively, Internet taxes.

- Repealing the excise tax will save consumers more than $5 billion annually.

Throughout its history, the telephone tax has been enacted, repealed or reenacted either to fund wars or generate revenues for debt reduction. Today, the U.S. budget is in surplus, and we are at peace. Moreover, telephones are no longer a luxury but an essential service for all Americans. The telephone tax is therefore completely unjustified. It is time for repeal.

Support the Portman/ Matsui Legislation (H.R. 3916)
And the Roth/ Breaux Legislation (S. 2330)