

Barbara Young
Director
State Government Affairs



ORHDRA0305
902 Wasco Street
Hood River, OR 97031
Tel: 541.387.9850

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Representative Jason Conger
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Representative Sara Gelsler
Representative Tobias Read
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Re: Background material for CenturyLink public testimony in HB 2455

Enclosed you will find recent letters to the Oregonian Editor regarding the City of Portland land-line phone tax increase, an editorial in the Oregonian addressing the inequity of the tax and an article in the Oregonian discussing a recent report by the Tax Foundation citing Oregon cell phone taxes as the lowest in the nation.

I will refer to these documents in my comments before the Revenues Committee at the public hearing for HB 2455 scheduled for 8:00 AM on March 1, 2013.

Sincerely,

Barb Young

Enclosure

Land-line tax a burden

Regarding "Council extends land-line phone tax" (Nov. 29): I really like my land-line home phone. Really, I do, even though it costs me more than a good cellphone (I'm not too tech savvy). I buy little throwaways for traveling to keep my daughter sane, but otherwise, I like the privacy of my home when I have a conversation.

But, Sam Adams, now you've done it. You pushed me over the edge, and this is where I get off your "I'll get my taxes anywhere I can" train. How many homes without a retiree living on a fixed income still have land lines? Do you have a land line? Are you going to share the tax? Sorry, I am going to bite the bullet and opt out of your gravy train.

I can buy a good cellphone that will cost me less each month than your "little" tax added to my already huge phone bill for a device that doesn't text, video or Instagram. It's just an old-fashioned "chat" line for a little old retiree.

SUSAN MYERS

Northeast Portland

So the mayor and commissioners think we land-line telephone customers can afford an additional phone tax. As noted in the article, most of the land-line users are seniors. Land lines are often their only telephone service. As a result of the recent "yes" votes on the school bond and library levy, my property taxes will increase by \$800.

I have placed my order with Centurylink to disconnect my land line this month.

ALICE HULL

Northeast Portland

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Portland Mayor Sam Adams, seen here in October 2011, has proposed a tax hike on some telecommunications companies operating within the city.

Randy L. Rasmussen/The Oregonian

(http://www.oregonlive.com/portland/index.ssf/2012/11/portland_multnomah_county_mohundreds_of_dollars_every_year?If_you're_Portland_Mayor_Sam_Adams,_you_call_it_a_matter_of_equity)

(http://www.oregonlive.com/portland/index.ssf/2012/11/mayor_sam_adams_proposes_new_as_in_tax_equity)

Thus will City Council on Thursday consider a proposed tax increase on so-called "incumbent" telecommunications companies to create some long-awaited equity with so-called "competitive" telecommunications companies, which are currently taxed more aggressively. Who says Portland isn't friendly to big business?

But we digress.

The incumbent companies, which include CenturyLink and Frontier, "were the original telephone companies when there were no competitors," says Mary Beth Henry of the city's Office for Community Technology. They pay the city 7 percent of basic dial-tone service. The competitive companies, which include Comcast, began popping up in earnest in the mid-1990s. They pay 5 percent of gross revenues. The proposed ordinance would treat the incumbents like the competitors, applying a lower tax rate to a larger collection of services such as long distance, directory assistance and so on. The increased taxes would, of course, be passed along to consumers.

In a narrow sense, Adams is correct: The current arrangement isn't equitable. In Portland and elsewhere, the taxation of telecommunications companies is a messy product of history, litigation and the rapid evolution of technology and business.

Seattle government tends to move very slowly, tax schemes often fit awkwardly. Think Usain Bolt in wooden clogs.

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The inequity upon which Adams seeks to float his tax hike isn't a new discovery, though. **A city audit urged council**

(http://www.oregonlive.com/portland/index.ssf/2009/05/some_phone_providers_pay_fee to straighten out the utility tax mess more than 2 1/2 years ago. To do this, auditors noted, council could either apply utility fees more broadly or -- proving that auditors, too, have a sense of humor -- "reduce or eliminate the fees for existing payers."

But the audit points to a significant inequity that Adams' proposal ignores. The city doesn't tax wireless telephone revenue -- cellphones -- as it does wire-line technology, even "as more City residents shift from traditional landline phone service." Because of this shift, the audit notes, inflation-adjusted "telecommunication revenues ... decreased 38 percent from 1999 to 2008." The city's big, wire-line companies do not offer wireless products, says Henry, though Comcast has a marketing partnership with wireless provider Verizon.

In its response to the audit, the city's Office of Cable Communications and Franchise Management acknowledged the special treatment enjoyed by wireless phone users and lamented its "disproportionate and inequitable impact on landline users."

Adams' proposal, in other words, would treat wire-line companies and customers more equitably while ignoring the huge inequity favoring wireless companies and customers. If equity were really a high priority, you'd think the mayor would treat the inequities ... equitably.

The city's real problem, of course, isn't inequity. It's the fact that the city's revenues aren't keeping pace with its spending, and Adams would rather force his constituents to fork over more cash than trim the budget. So what if they've just agreed to pay his pet arts tax, and so what if their property taxes are poised to skyrocket to support schools and libraries?

Back in 2009, Commissioner Amanda Fritz thanked auditors "for identifying the City's ongoing tax equity issue," but argued that "the City must first demonstrate that it is spending existing revenues wisely, prior to addressing this issue."

Presumably tax-weary Portland residents will discover soon whether fiscal restraint is something Fritz and her colleagues really take seriously.



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Everything Oregon

Tax Foundation: Oregon cell phone taxes lowest in the nation



By [Mike Rogoway](#), [The Oregonian](#)

on January 30, 2013 at 11:02 AM, updated January 30, 2013 at 10:40 PM

Like to gab on your cell phone? It's cheaper to do it in Oregon than anywhere else in the country.

The state doesn't charge sales tax on your new phone, and a [new report](#) says Oregon has lower cell phone taxes than anywhere else on the country.

It costs a lot more just across the river. Washington has a sales tax, of course, along with the second-highest cell phone taxes in the nation, according to today's report from the Tax Foundation.

The group's report says that Oregon consumers pay average state and local taxes equal to 1.85 percent of their bill. That's compared to an average of 11.36 percent nationally, according to the Tax Foundation's findings.

The report finds Nebraska has the highest average cell phone taxes in the nation, at 18.7 percent. Washington is right behind at 18.6 percent.

Oregon's low ranking isn't a surprise -- few cities in the state have cell phone taxes, despite sporadic efforts to impose them. The history dates to the 1990s, when Eugene adopted a cell phone tax that was challenged in court and blocked until 2003.

Other cities took a wait-and-see attitude until the Eugene case was resolved. By then, cell phone use had become widespread and consumers -- and wireless carriers -- would not tolerate such a tax.

In 2004, for example, former Portland Commissioner Randy Leonard proposed a 5 percent cell phone tax (along with a small reduction in taxes on landline phones.)

City officials and wireless carriers agreed that consumers would likely end up footing the bill for the tax -- adding \$2 to a \$40 monthly cell phone bill (which was typical back then, before the rise of the smartphone). Leonard expected the tax would provide \$6 million in new annual revenue, which he proposed using to cut business taxes and pay for jail cells and drug treatment programs.

Leonard pulled his plan late that year when it failed to generate support from his colleagues on the Portland City Council.

Some smaller Oregon cities do have cell phone taxes, though, and that's presumably what's driving the 1.5 percent rate in the Tax Foundation's filings.

The organization bills itself as nonpartisan, but it isn't shy about campaigning for lower taxes.

Regardless of your politics, the report jibes with prior research. For the source of its data, the Tax Foundation cites wireless industry consultant Scott Mackey, who conducted a similar study in 2004 with similar results.

-- Mike Rogoway; twitter: [@rogoway](#); phone: 503-294-7699

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