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Testimony of

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on  
Senate Bill 300

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Mr. Chairman and members of the Business and General Government Committee, my name is Scott Mackey. I am a national consultant for the wireless industry on state and local tax policy issues. I appear today on behalf of the major wireless carriers doing business in Oregon – AT&T, Sprint, T-Mobile US, US Cellular, and Verizon – to express opposition to SB300.

SB300 would impose a major new “surcharge” on wireless consumers in Oregon, imposing in excess of \$45 million in new surcharges on consumers. An Oregon family with a “family share plan” with 4 wireless lines would pay in excess of \$50 per year

Even though the Oregon Universal Service Fund is called a “charge” or a “surcharge,” for wireless consumers this would essentially be a new tax. Fees and charges imply that the payer is receiving some benefit or service in return for the payment. However, paying the state USF on wireless service would not result in any benefit for wireless consumers. This is because the new funds generated by these new taxes would be paid out in subsidies for telephone companies.

Oregon currently has very low taxes on consumers because the state has elected not to impose a sales and use tax. In fact, Oregon currently has one of the fairest state tax structures in the country as measured by leading organizations that measure tax burdens on low-income taxpayers. Oregon’s tax structure has the second lowest consumption tax burden on the poor in the country, with consumption taxes taking only 2.3% of the average income of the poorest fifth of Oregon families.<sup>1</sup>

I mention this because the structure of the Oregon USF charge ensures that, if applied to wireless, it would disproportionately impact the low-income citizens. This is because the USF can only be applied to intrastate voice services and cannot be applied to data/Internet access plans. If enacted, consumers who purchase low-cost voice and text only plans would pay the

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<sup>1</sup> “Who Pays? A Distributional Analysis of the Tax Systems in All 50 States,” Washington, DC: Institute for Taxation and Economic Policy, October, 2018, page 106. Available at: <https://itep.org/wp-content/uploads/whopays-ITEP-2018.pdf>

same amount as consumers and business users who purchase the more expensive unlimited data/Internet plans.

Under the current stipulation approved by the Oregon PUC for the OUSF, the PUC will reduce high cost funding for phone companies each year through 2021. SB 300 does not specify how the new windfall of money will be spent to benefit Oregonians. Instead, it will just be imposing a regressive tax with no accountability for how those funds will be spent.

If the goal is to increase deployment of broadband in rural and unserved areas, a fairer and more appropriate way to pay for rural broadband would be to use general fund revenues raised by broad-based taxes.

Mr. Chairman, thank you for the opportunity to express opposition to SB300 on behalf of the major wireless providers doing business in Oregon.