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Wireless Taxes and Fees Jump Sharply In 2019

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Key Findings

- A typical American household with four wireless phones paying \$100 per month for taxable wireless service can expect to pay about \$260 per year in taxes, fees, and surcharges—up from \$229 in 2018.
- Nationally, these impositions make up about 21.7 percent of the average customer's bill—the highest rate ever. Illinois has the highest wireless taxes in the country at 31.2 percent, followed by Washington at 28.8 percent, Nebraska at 28.1 percent, New York at 27.7 percent, and Utah at 25.6 percent.
- Since 2008, average monthly wireless service bills per subscriber have dropped from just under \$50 per line per month to \$37.85 per month—a 24 percent reduction. However, wireless taxes have increased from 15.1 percent to 21.7 percent of the average bill—a 44 percent increase.
- Taxes, fees, and government surcharges on wireless consumers increased from 19.1 percent to 21.7 percent between 2018 and 2019—a 14 percent increase in the tax rate. The disparity between taxes on wireless voice services and general sales and use taxes grew between 2018 and 2019 as the increase in taxes on wireless voice services outpaced the increase in general sales and use taxes, which only increased 1.2 percent.
- Most of the increase in the wireless tax burden is due to a very large (36 percent) increase in the Federal Universal Service Fund “contribution rate.” Wireless carriers are required to pay this surcharge on all charges for interstate telephone service.
- At the end of 2018, more than 67 percent of low-income adults had only wireless for their phone service, and 57 percent of all adults were wireless only. Excessive taxes and fees, especially the very high per-line charges like those imposed in Chicago and Baltimore, impose a disproportionate burden on low-income consumers. In Chicago, taxes on a family with four lines of taxable wireless service paying \$100 per month are more than \$500 per year—about 43 percent of the bill.

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Introduction

Taxes, fees, and governmental surcharges on wireless consumers increased sharply in 2019, jumping from 19.1 percent to 21.7 percent of the customer's bill. An American household with four wireless phones paying \$100 per month for wireless voice service can expect to pay about \$260 per year in wireless taxes, fees, and surcharges—up from \$229 in 2018.

State and local wireless taxes increased from 12.5 percent to 12.7 percent, the sixth consecutive increase. The Federal Universal Service Fund (FUSF) surcharge increased from 6.6 percent to 9.1 percent of the typical wireless bill—a 36 percent increase in one year.

Fortunately for wireless consumers, price competition continues to push down the average monthly per-line cost of wireless service. Average revenue per subscriber fell for the third consecutive year, from \$41.50 per month in 2017 to \$37.85 per month in 2019. Unfortunately, consumers were not able to fully enjoy this price reduction because taxes, fees, and surcharges continued to increase.

Wireless consumers will pay an estimated \$17.1 billion in taxes, fees, and government surcharges to federal, state, and local governments in 2019, \$1 billion more than in 2018, based on the tax rates calculated in this report. These taxes, fees, and surcharges break down as follows:

- \$5.1 billion in sales taxes and other non-discriminatory consumption taxes;
- \$5.9 billion in Federal Universal Service Fund surcharges;
- \$3.2 billion in 911 fees, a category that includes hundreds of millions of dollars that are not actually used for 911 purposes in some states; and
- \$2.9 billion in other industry-specific state and local taxes and fees.

Consumers in Illinois, Washington, and Nebraska pay the highest wireless taxes in the country, while wireless users in Oregon, Idaho, and Nevada pay the lowest wireless taxes.

Wireless service is increasingly the sole means of communications and connectivity for many Americans, particularly young people and those with lower incomes. At the end of 2018, according to the Centers for Disease Control, about 67 percent of all poor adults lived in wireless-only households and 57 percent of adults of all incomes lived in wireless-only households.¹ These excessive taxes and fees—especially those that impose high per-line taxes and fees—impose a disproportionate tax burden on those least able to afford them.

¹ Stephen J. Blumberg and Julian V. Luke, "Wireless Substitution: Early Release of Estimates from the National Health Interview Survey, July-December 2018," National Center for Health Statistics, June 2019, 1-3, <https://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201906.pdf>.

Wireless Taxes and Fees Increase In 2019

This is the tenth in a series of reports that examine trends in taxes, fees, and government surcharges imposed on wireless service by federal, state, and local governments since 2003. The methodology for the report, which was originally developed by the Committee on State Taxation in a 1999 report, is detailed in Appendix A.

Table 1 shows national trends in tax rates imposed by all levels of government on taxable wireless service between 2003 and 2019. Between 2005 and 2006, wireless taxes dropped after the federal courts forced the IRS to end the imposition of the 3 percent federal excise tax on wireless service. After that court decision, wireless tax rates dropped to a low of 14.1 percent. Since then, however, wireless tax rates have climbed steadily to their current rate of 21.7 percent.

TABLE 1.

U.S. Average Wireless and General Sales & Use Tax Rates

	Weighted Average				
	Wireless: State & Local Tax & Fee	Wireless: Federal Tax & Fee	Wireless: Federal/State/ Local Tax & Fee	General Sales/ Use Tax	Disparity — Wireless Tax Over General Sales Tax
1/1/2003	10.20%	5.07%	15.27%	6.87%	3.33%
4/1/2004	10.74%	5.48%	16.22%	6.93%	3.81%
7/1/2005	10.94%	5.91%	16.85%	6.94%	4.00%
7/1/2006	11.14%	2.99%	14.13%	7.04%	4.10%
7/1/2007	11.00%	4.19%	15.19%	7.07%	3.93%
7/1/2008	10.86%	4.23%	15.09%	7.11%	3.75%
7/1/2009	10.74%	4.79%	15.53%	7.26%	3.48%
7/1/2010	11.21%	5.05%	16.26%	7.42%	3.79%
7/1/2012	11.36%	5.82%	17.18%	7.33%	4.03%
7/1/2014	11.23%	5.82%	17.05%	7.51%	3.72%
7/1/2015	11.50%	6.46%	17.96%	7.57%	3.93%
7/1/2016	11.93%	6.64%	18.57%	7.61%	4.32%
7/1/2017	12.11%	6.34%	18.46%	7.65%	4.46%
7/1/2018	12.46%	6.64%	19.10%	7.65%	4.81%
7/1/2019	12.65%	9.05%	21.70%	7.74%	4.91%

Note: Federal includes 3% federal excise tax (until 5/2006) and federal universal service fund charge, which is set by the FCC and varies quarterly.

Federal USF 7/1/2019: 37.1% interstate safe harbor x 24.4% contribution factor = 9.05% effective tax rate. <http://www.usac.org/cont/tools/contribution-factors.aspx>

Source: Methodology derived from Committee on State Taxation, "50-State Study and Report on Telecommunications Taxation," May 2005. Updated July 2019 from state statutes, FCC data, and local ordinances by Scott Mackey, Leonine Public Affairs LLP, Montpelier, VT.

Table 1 also separates the impact of federal taxes and surcharges from state and local government taxes, fees, and surcharges. Throughout the period, state and local taxes have been trending upward steadily, from 10.2 percent in 2003 to their current level of 12.65 percent in 2019.

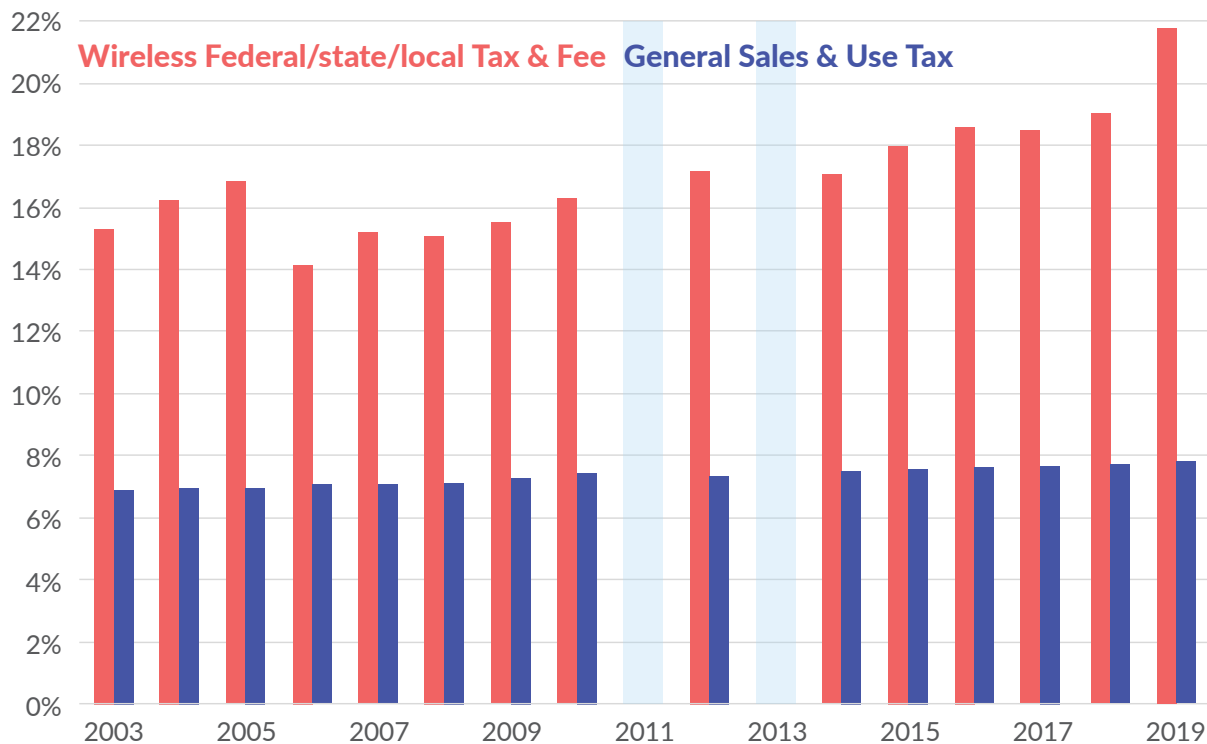
The FUSF surcharge has also increased throughout the period, by 36 percent between July 2018 and July 2019. Less than half of a typical wireless consumer's calls are interstate calls, so fortunately

wireless consumers did not experience the full impact of this large increase. However, the FUSF portion of the typical consumer bill increased from 6.6 percent to 9.1 percent in the last year. For a detailed explanation of the FUSF surcharge and how it is imposed, see Appendix B.

Table 1 also shows the general trends in average tax rates of the sales and use tax, which is the primary broad-based consumption tax imposed by 45 states, the District of Columbia, and Puerto Rico. Since 2003, the average state-local sales tax rate has increased by about 0.9 percentage points—from 6.87 percent to 7.74 percent. During that same period, wireless taxes increased by 2.45 percentage points—from 10.20 percent to 12.65 percent. Average wireless tax rates increased nearly three times faster than average sales tax rates.

Wireless industry competition has led to significant reductions in average monthly bills since 2008, a trend that accelerated between 2016 and 2019, when average bills dropped from \$44.65 per month in 2016 to \$37.85 per month in 2019. Since 2008, average wireless monthly bills have dropped from just under \$50 per month to \$37.85 per month—a 24 percent reduction—while wireless taxes have increased from 15.1 percent to 21.7 percent—a 44 percent increase. Unfortunately, consumers have not enjoyed the full benefits of wireless price competition because taxes, fees, and government surcharges continue to increase.

FIGURE 1.
Federal/State/Local Average Wireless Tax Rates vs. Sales Tax Rates (2003-2019)



Note: Data not available from 2011 and 2013.

Source: Methodology derived from Committee on State Taxation, "50-State Study and Report on Telecommunications Taxation," May 2005. Updated July 2019 from state statutes, FCC data, and local ordinances by Scott Mackey, Leonine Public Affairs LLP, Montpelier, VT.

Table 2 shows wireless tax, fee, and government surcharge rates as of July 2019. Column 1 shows the average combined state-local tax rate in the largest city and the capital city in each state, while column 2 shows the effective rate of the FUSF surcharge. In 2019, Illinois retained its ranking as the state with the highest wireless tax burden, followed by Washington, Nebraska, and New York. Alaska dropped out of the “top five” due to a significant reduction in the Alaska state universal services fund (USF) surcharge. Utah moved into the top five, as the state increased its 911 fee, state and local sales taxes, and state USF charge.

TABLE 2.

Taxes, Fees, and Government Charges on Wireless Service, July 2019

Rank	State	Wireless State-Local Rate	Federal USF Rate	Combined Federal/State/Local Rate	Rank	State	Wireless State-Local Rate	Federal USF Rate	Combined Federal/State/Local Rate
1	Illinois	22.14%	9.05%	31.19%	28	Alabama	10.91%	9.05%	19.97%
2	Washington	19.71%	9.05%	28.76%	29	Kentucky	10.91%	9.05%	19.97%
3	Nebraska	19.02%	9.05%	28.07%	30	Minnesota	10.59%	9.05%	19.64%
4	New York	18.65%	9.05%	27.70%	31	Massachusetts	10.21%	9.05%	19.27%
5	Utah	16.50%	9.05%	25.55%	32	West Virginia	10.20%	9.05%	19.25%
6	Arkansas	16.39%	9.05%	25.44%	33	Michigan	9.91%	9.05%	18.97%
7	Pennsylvania	16.36%	9.05%	25.41%	34	Mississippi	9.77%	9.05%	18.83%
8	Rhode Island	15.33%	9.05%	24.38%	35	Iowa	9.72%	9.05%	18.77%
9	North Dakota	15.11%	9.05%	24.17%	36	Louisiana	9.63%	9.05%	18.68%
10	Kansas	15.03%	9.05%	24.08%	37	Maine	9.06%	9.05%	18.12%
11	Missouri	14.91%	9.05%	23.96%	38	New Jersey	9.00%	9.05%	18.06%
12	Florida	14.86%	9.05%	23.91%	39	New Hampshire	8.98%	9.05%	18.03%
13	Maryland	14.72%	9.05%	23.77%	40	North Carolina	8.93%	9.05%	17.98%
14	Oklahoma	14.50%	9.05%	23.56%	41	Vermont	8.90%	9.05%	17.95%
15	South Dakota	14.29%	9.05%	23.35%	42	Wyoming	8.79%	9.05%	17.84%
16	Alaska	13.94%	9.05%	22.99%	43	Ohio	8.51%	9.05%	17.56%
17	Puerto Rico	13.70%	9.05%	22.75%	44	Connecticut	7.88%	9.05%	16.93%
18	California	13.05%	9.05%	22.10%	45	Hawaii	7.79%	9.05%	16.84%
19	New Mexico	12.99%	9.05%	22.04%	46	Wisconsin	7.71%	9.05%	16.76%
20	Arizona	12.63%	9.05%	21.68%	47	Virginia	6.98%	9.05%	16.03%
21	Tennessee	12.56%	9.05%	21.62%	48	Montana	6.66%	9.05%	15.71%
22	South Carolina	12.41%	9.05%	21.46%	49	Delaware	6.64%	9.05%	15.69%
23	District of Columbia	12.01%	9.05%	21.06%	50	Nevada	3.44%	9.05%	12.49%
24	Indiana	11.93%	9.05%	20.98%	51	Idaho	2.64%	9.05%	11.69%
25	Colorado	11.83%	9.05%	20.88%	52	Oregon	2.27%	9.05%	11.32%
26	Texas	11.81%	9.05%	20.86%	Weighted Avg.		12.65%	9.05%	21.70%
27	Georgia	11.78%	9.05%	20.83%	Simple Avg.		11.62%	9.05%	20.67%

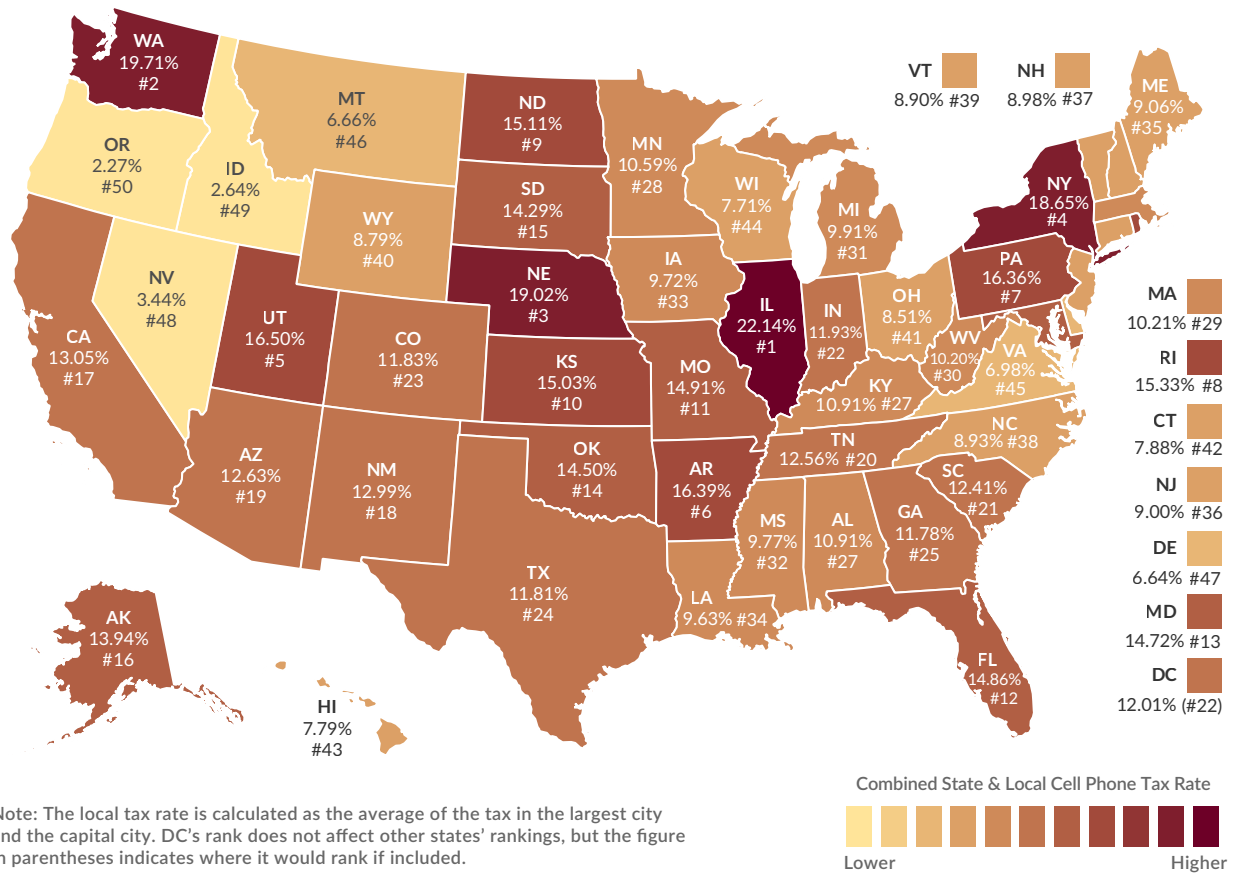
Source: Methodology from COST, "50-State Study and Report on Telecommunications Taxation," May 2005. Updated July 2019 using state statutes, FCC data, and local ordinances.

Figure 2 shows the states by average state-local rates, without including the FUSF imposition. Other than the cluster of low-tax states in western United States, there does not appear to be any strong regional patterns to the distribution of high-tax and low-tax states. The New England states tend to have lower wireless tax rates, while the high-tax states are scattered throughout the country.

FIGURE 2

How High Are Cell Phone Taxes in Your State?

Taxes, Fees, and Government Charges on Wireless Service, July 2019



One of the longstanding arguments for reform of wireless taxation is the disparity in tax burdens on wireless as compared to broad-based consumption taxes imposed on other goods and taxable services subject to sales and use taxes. Wireless and other telecommunications services are one of the few services that are consistently subject to sales and use taxes by states with both narrow and broad sales tax bases. Furthermore, states like Delaware, Montana, and New Hampshire that do not impose a sales tax have specific taxes on wireless and other communications services.

Table 3 ranks the states by comparing the disparity between the tax rates imposed on wireless service to the combined state and local sales tax rate in each state. Illinois leads all states in this regard, imposing wireless taxes that are more than twice as high as sales taxes—22.1 percent vs 10.0 percent. Other states with large disparities include Nebraska, Alaska, New York, Washington, and Pennsylvania. New Hampshire, Delaware, and Montana—all states that do not have general sales taxes but impose taxes on wireless service—rank relatively high on the disparity index even though their overall wireless tax rates are relatively low by national standards. Table 3 also shows that three states—Louisiana, Idaho, and Nevada—impose lower taxes on wireless service than on other goods and services subject to the sales tax.

TABLE 3.
Disparity Between Wireless Tax & Fee Rate and General Sales Tax Rate, July 2019

Rank	State	State-Local Sales Tax Rate	State-Local Wireless Tax Rate	Wireless Over/Under Sales Tax Rate	Disparity Multiple	Rank	State	State-Local Sales Tax Rate	State-Local Wireless Tax Rate	Wireless Over/Under Sales Tax Rate	Disparity Multiple
1	Illinois	10.00%	22.14%	12.14%	2.21	28	Hawaii	4.00%	7.79%	3.79%	1.95
2	Nebraska	7.00%	19.02%	12.02%	2.72	29	Arizona	8.85%	12.63%	3.78%	1.43
3	Alaska	2.50%	13.94%	11.44%	5.58	30	Maine	5.50%	9.06%	3.56%	1.65
4	New York	8.44%	18.65%	10.21%	2.21	31	Texas	8.25%	11.81%	3.56%	1.43
5	Washington	9.70%	19.71%	10.01%	2.03	32	Colorado	8.28%	11.83%	3.55%	1.43
6	Pennsylvania	7.00%	16.36%	9.36%	2.34	33	Georgia	8.45%	11.78%	3.33%	1.39
7	Utah	7.50%	16.50%	9.00%	2.20	34	Tennessee	9.25%	12.56%	3.31%	1.36
8	New Hampshire	0.00%	8.98%	8.98%	NA	35	Wyoming	5.50%	8.79%	3.29%	1.60
9	Maryland	6.00%	14.72%	8.72%	2.45	36	West Virginia	7.00%	10.20%	3.20%	1.46
10	Rhode Island	7.00%	15.33%	8.33%	2.19	37	Iowa	7.00%	9.72%	2.72%	1.39
11	North Dakota	7.25%	15.11%	7.86%	2.08	38	Minnesota	7.96%	10.59%	2.63%	1.33
12	South Dakota	6.50%	14.29%	7.79%	2.20	39	Vermont	6.50%	8.90%	2.40%	1.37
13	Florida	7.25%	14.86%	7.61%	2.05	40	New Jersey	6.63%	9.00%	2.38%	1.36
14	Arkansas	9.38%	16.39%	7.01%	1.75	41	Mississippi	7.50%	9.77%	2.27%	1.30
15	Kansas	8.33%	15.03%	6.70%	1.80	42	Oregon	0.00%	2.27%	2.27%	NA
16	Montana	0.00%	6.66%	6.66%	NA	43	Puerto Rico	11.50%	13.70%	2.20%	1.19
17	Delaware	0.00%	6.64%	6.64%	NA	44	Wisconsin	5.55%	7.71%	2.16%	1.39
18	Missouri	8.41%	14.91%	6.50%	1.77	45	North Carolina	7.25%	8.93%	1.68%	1.23
19	District of Columbia	5.75%	12.01%	6.26%	2.09	46	Connecticut	6.35%	7.88%	1.53%	1.24
20	Oklahoma	8.57%	14.50%	5.93%	1.69	47	Virginia	5.65%	6.98%	1.33%	1.24
21	Indiana	7.00%	11.93%	4.93%	1.70	48	Alabama	10.00%	10.91%	0.91%	1.09
22	Kentucky	6.00%	10.91%	4.91%	1.82	49	Ohio	7.75%	8.51%	0.76%	1.10
23	New Mexico	8.16%	12.99%	4.83%	1.59	50	Louisiana	9.70%	9.63%	-0.07%	0.99
24	Massachusetts	6.25%	10.21%	3.96%	1.63	51	Idaho	6.00%	2.64%	-3.36%	0.44
25	California	9.13%	13.05%	3.93%	1.43	52	Nevada	7.93%	3.44%	-4.48%	0.43
26	Michigan	6.00%	9.91%	3.91%	1.65	US Weighted Average		7.74%	12.65%	4.91%	1.63
27	South Carolina	8.50%	12.41%	3.91%	1.46						

Source: Methodology from COST, "50-State Study and Report on Telecommunications Taxation," May 2005. Updated July 2019 using state statutes, FCC data, and local ordinances.

Total Taxes Paid

Wireless consumers pay about \$12.0 billion in taxes and fees that are specifically levied on telecommunications services but not on other taxable goods and services. This total includes approximately \$5.9 billion in FUSF charges, \$3.2 billion in 911 fees, and another \$2.9 billion in other discriminatory state and local taxes, fees, and government surcharges. The remaining \$5.1 billion in taxes on wireless service are non-discriminatory sales and use taxes that are imposed on other taxable goods and services.²

Appendix C provides a detailed breakdown of the specific taxes, fees, and government surcharges imposed in each state, including the respective rates of each. To facilitate interstate comparisons, local rates imposed in the most populated city and the capital city in each state are averaged into a single rate. In the case of taxes and fees that are imposed on a flat per-line basis—for example, \$1.00 per month per line—the tax is converted from a flat amount to a percentage by dividing the flat amount by the industry average revenue per line of \$37.85 per month. For a detailed description of the methodology in this report, please see Appendix A.

Trends in Wireless Taxes and Fees

911 Fees

Most states impose 911 fees to fund capital expenses associated with the 911 system, and in some states these fees fund operations as well. Wireless 911 fees vary greatly by state, from a low of zero in Missouri³ to a high of \$3.86 per line in West Virginia. The West Virginia 911 fee increased from \$3.36 per line to \$3.86 per line due to a provision in the law that indexes the wireless fee to the average rate of locally imposed wire line 911 fees.

Other states where 911 fees increased in 2019 are Alabama, Colorado, Kansas, Maryland, Massachusetts, Michigan, North Dakota, and Utah. No states reduced 911 fees.

Unfortunately, according to the Federal Communications Commission (FCC), some states and localities routinely divert 911 fees for other purposes.⁴ For example, the City of Chicago used the authority granted by the legislature to increase its 911 fee from \$3.90 per line to \$5.00 per line, effective January 1, 2018. Media reports suggested that the 911 fee increase was intended to cover a shortfall in city pension obligations.⁵ The FCC report identified other states that routinely divert 911 fees paid by wireless consumers to other purposes: Montana, New Jersey, New York, Rhode Island, and West Virginia.

2 These estimates are calculated by applying the rates of percentage-based taxes in each state by the average monthly bill after excluding the estimated 47 percent of the average monthly bill representing internet access. For flat rate per line impositions, the per line rate is multiplied by the estimated number of postpaid wireless lines.

3 Missouri enacted HB1456 in 2018 that authorizes certain cities and counties to impose wireless 911 fees on or after January 1, 2019 if approved by voters. As of this writing, no local jurisdictions had imposed a wireless 911 fee.

4 Federal Communications Commission, "Tenth Annual Report to Congress on State Collection and Distribution of 911 Fees and Charges for the Period January 1, 2017 to December 31, 2017," <https://www.fcc.gov/files/10thannual911feereporttocongresspdf>.

5 Bill Ruthhart and Hal Dardick, "Emanuel's Latest Possible Tax Hike: 911 Phone Fees," *Chicago Tribune*, June 1, 2017. Available at: <http://www.chicagotribune.com/news/local/politics/ct-rahm-emanuel-phone-fee-increase-met-0602-20170601-story.html>.

State Universal Service Funds

Some states have their own USF that provide subsidies for many of the same purposes as the FUSF. State USF surcharges are imposed on intrastate revenues, while the FUSF surcharge is imposed on interstate revenues. In states like Alaska, Arkansas, California, Oklahoma, Kansas, and Nebraska, high-state USF surcharge rates add significantly to the overall burden on wireless consumers. For example, the USF rate in Alaska is 10.0 percent of all intrastate charges. Appendix B lists the rates in all 20 states with USF charges.

In 2019, state USF rates increased in Arkansas, Maine, Nevada, Nebraska, Oklahoma, Oregon, Utah, and Vermont. Alaska, California, Kentucky, and New Mexico lowered the rates of their state USF surcharges.

State-Level Wireless Taxes

In addition to 911 fees and state USF charges, 14 states impose taxes on wireless service that are either in addition to state sales taxes or in lieu of sales taxes but imposed at a higher rate than the state sales tax. Table 4 lists these states. No states increased or decreased these discriminatory state wireless taxes in 2019.

TABLE 4.

State Wireless Taxes by Type

State Gross Receipts Tax in Addition to Sales Tax	Higher State Tax Rate in Lieu of Sales Tax	Wireless Tax but No State Sales Tax
Indiana	District of Columbia	Delaware
Kentucky	Florida	Montana
New York	Illinois	New Hampshire
North Dakota	Maine	
Pennsylvania		
Rhode Island		
South Dakota		

Source: State Statutes.

Local Wireless Taxes

Many local governments also impose discriminatory taxes on wireless consumers. Many of these are legacy taxes and fees that were established during the regulated telephone monopoly era that existed prior to the late 1980s. Local governments in some states have longstanding authority to impose “right-of-way” fees on telephone companies for placing poles, wires, and other landline infrastructure on public property. In other states, localities have the authority to impose franchise fees on telephone companies in exchange for an exclusive franchise agreement to provide service within the municipality.

In the late 1990s and early 2000s, when wireless service began to displace landline service, localities became concerned about losing taxes and fees from landline telephone services and sought to extend these taxes and fees to wireless services. This occurred even though wireless providers typically did not use the public right-of-way to place equipment or, when they did use public property like buildings, the usage was de minimis and paid for through negotiated rental agreements.

Local governments in 13 states currently impose some type of tax or fee on wireless service over and above any broad-based local sales tax. In most of these states, the local wireless tax is in addition to state taxes. California is the exception—wireless service is not subject to sales taxes but is subject to local Utility User Taxes (UUT) at rates as high as 11 percent. Table 5 provides a breakdown of the types of local wireless taxes. In the last year, the only change in local telecommunications tax tracked in this report was an increase in the local telecommunications excise tax in Springfield, Illinois from 4 percent to 6 percent.

TABLE 5.
Local Wireless Taxes by Type

Privilege, License, or User Taxes	State-Authorized Telecom Taxes	School District and Other Special District Taxes
Arizona	Florida	Kentucky
California	Illinois	New York
Maryland	Maryland	
Missouri	New York	
Nebraska	Utah	
Nevada		
South Carolina		
Washington		

Note: Excludes local general sales taxes.
Source: State statutes.

Local government taxes have a significant impact on the overall tax burden on wireless consumers in many of the states that rank high in the overall wireless tax and fee burden. In most of the top 10 states shown in Table 2 with the highest wireless taxes, local taxes play a prominent role. Nebraska allows local business license taxes with rates as high as 6.25 percent. Washington allows municipal governments to impose “utility franchise taxes” with rates as high as 9 percent. New York allows New York City, other selected cities, school districts, and certain transit districts to levy various wireless taxes in addition to county 911 fees. Finally, Florida and Illinois have special state communications taxes with a local add-on that result in rates typically two times higher than the general sales tax rates.

Table 6 illustrates the impact of taxes and fees on consumers in selected large cities around the country. Wireless service is increasingly becoming the sole means of communication and connectivity for many Americans, particularly those struggling to overcome poverty. As noted previously, at the end of 2018, more than 67 percent of all low-income adults had only wireless service, and 57 percent of all adults were wireless-only. Excessive local taxes and fees, especially the very high per line charges like those imposed in Chicago and Baltimore, impose a disproportionate burden on low-

income consumers. In Chicago, taxes on a family with four lines of taxable wireless service paying \$100 per month are more than \$500 per year—about 43 percent of the bill.

TABLE 6.

Federal, State, and Local Wireless Taxes and Fees on Single and Multi-Line Plan in Selected Cities, July 2019

City	Tax on 4 line Voice Plan at \$100 per month	Effective Tax Rate
Chicago, IL	\$43.05	43.05%
Baltimore, MD	\$36.25	36.25%
Omaha, NE	\$31.22	31.22%
New York, NY	\$29.52	29.52%
Seattle, WA	\$28.95	28.95%
Philadelphia, PA	\$28.65	28.65%
Salt Lake City, UT	\$28.62	28.62%
Providence, RI	\$26.09	26.09%
Tallahassee, FL	\$24.99	24.99%
Kansas City, MO	\$24.15	24.15%
Los Angeles, CA	\$23.10	23.10%

City	Tax on Single Line Voice Plan costing \$37.85 per month	Effective Tax Rate
Chicago, IL	\$13.72	36.26%
Baltimore, MD	\$11.00	29.05%
Omaha, NE	\$10.67	28.19%
Seattle, WA	\$10.47	27.66%
New York, NY	\$10.40	27.48%
Philadelphia, PA	\$10.00	26.41%
Salt Lake City, UT	\$9.76	25.80%
Tallahassee, FL	\$9.25	24.45%
Providence, RI	\$9.23	24.38%
Kansas City, MO	\$9.14	24.15%
Los Angeles, CA	\$8.74	23.10%

Source: Tax Foundation calculations.

The Impact of Excessive Wireless Taxes

The popularity of wireless service, and the explosive growth in the number of wireless subscribers, has led some to question whether wireless taxes matter to wireless consumers and the wireless industry. However, there are two compelling reasons why policymakers should be cautious about expanding wireless taxes, fees, and surcharges. First, as discussed above, wireless taxes and fees are regressive and have a disproportionate impact on poorer citizens. Excessive taxes and fees may reduce low-income consumer access to wireless service at a time when such access is critical to economic success. Second, discriminatory taxes may slow investment in wireless infrastructure.

Ample evidence exists that investments in wireless networks provide economic benefits to the broader economy because so many sectors—transportation, health care, energy, education, even government—use wireless networks to boost productivity and efficiency.

Network investment is important not only to consumers and businesses that use these networks but also to the entire American economy. A report by the International Chamber of Commerce (ICC) in Paris surveyed the evidence not only from the United States and Europe but from the developing world as well.⁶ Economists that have examined the link between investments in communications and information technology infrastructure and economic growth have consistently found a strong link. Simply put, wireless infrastructure investment enables an entire entrepreneurial culture to focus on creating applications and devices to make businesses more productive and to improve the lives of consumers. These tools in turn make businesses more productive and profitable so that they can create new jobs that generate economic activity and tax revenues for governments.

While most infrastructure investments create these types of multiplier effects, the multiplier effects for telecommunications infrastructure are higher than other industries because communications and information technology are so deeply embedded in business processes. These infrastructure investments also benefit the government and nonprofit sectors in ways that do not necessarily show up directly in economic statistics but nonetheless make these sectors more efficient and enable them to lower the cost of providing government services.

As noted in the ICC report, “Remedying the discriminatory tax treatment of telecom goods and services may reduce tax receipts in the short-term, but the longer-term increase in the use of advanced capability devices, service demand, and network deployment resulting from these tax reductions is likely to counteract this loss of revenue over time.”⁷ Policymakers need to weigh the trade-offs between the short-term revenue benefits of excessive wireless taxes versus the long-term economic impact on the state from reduced infrastructure investment.

Conclusion

Wireless consumers continue to be burdened with high taxes, fees, and surcharges in many states and localities across the United States. With state and local governments continuing to face revenue challenges, the wireless industry and its customers continue to be an attractive target for raising new revenues. Excessive taxes on wireless consumers disproportionately impacts poorer families and may have ramifications for long-term state economic development and growth. Higher taxes on wireless service, coupled with increased taxes on wireless investments, may lead to slower deployment of wireless network infrastructure, including fifth generation (5G) wireless broadband technologies—a key element to the future success of Smart Cities, which are cities that utilize wireless communication tools to improve quality of life for its citizens.

States should study their existing communications tax structure and consider policies that transition

6 International Chamber of Commerce, “ICC Discussion Paper on the Adverse Effects of Discriminatory Taxes on Telecommunications Service,” Oct. 26, 2010, <https://cdn.iccwbo.org/content/uploads/sites/3/2010/10/ICC-discussion-paper-on-the-adverse-effects-of-discriminatory-taxes-on-telecommunications-services.pdf>.

7 “ICC Discussion Paper,” 2.

their tax systems away from narrowly-based wireless taxes and toward broad-based tax sources that do not distort consumer purchasing decisions and do not slow investment in critical infrastructure like wireless broadband. Florida took a step in the right direction by reducing its communications services tax in 2015, but wireless tax rates there are still well above the sales tax. Reform of communications taxes in states with excessive tax rates would position those states to attract additional wireless infrastructure investments that generate economic growth through the new jobs and revenue growth they produce while helping provide relief to low-income wireless users.

Appendix A: Methodology

The methodology used in this report to calculate wireless taxes compares the applicable federal, state, and local rates on wireless voice service in the capital city and the most populated city in each state. This methodology was developed by the Committee on State Taxation (COST) in its landmark “50-State Study and Report on Telecommunications Taxation,” first published in 2000.

The use of a consistent methodology allows for accurate time-series comparisons across states and over time. However, changes in consumer demand for wireless services pose challenges when measuring the impact of wireless taxes on consumer bills. Two trends in the industry are significantly impacting the amount of taxes that wireless consumers pay on their monthly bills.

First, a growing share of wireless consumer purchases is for internet access. U.S. Census Bureau data from 2017 suggests that about 47 percent of total wireless service revenues for the industry as a whole are from the sale of internet access.⁸ This percentage continues to grow as wireless consumers use more internet access and less voice telephone service each year.

Under federal law, all but a handful of states are currently precluded from imposing taxes on internet access, and all states will be prohibited from taxing internet access after July 1, 2020. This suggests that of the “typical” consumer’s monthly expenditure of \$37.85 per month, approximately \$17.79 is for nontaxable internet access and \$20.06 is for taxable wireless service. A consumer applying the effective tax rates in this report to their total bill will find that the effective tax rate overstates their actual tax paid if their calling plan includes both taxable voice service and exempt internet access.

Second, the report’s methodology understates the tax rate impact of flat rate taxes and fees—those that are imposed a set dollar amount per line. Under the report’s methodology, a \$1.00 per month per line tax is converted to a percentage amount by dividing \$1.00 by the \$38.66 average monthly bill, resulting in a tax rate of 2.59 percent in this example. However, these flat rate taxes and fees are only permitted to be imposed on the portion of the wireless bill that is not internet access. In this same example, if the \$1.00 per month were divided by the taxable portion of the bill (\$20.06), the tax rate would be 4.99 percent.

Notwithstanding these methodological challenges, the authors have determined that the benefits of retaining the current methodology—consistent measurement of trends in tax rates over time—outweigh the benefits of changing the methodology to adjust to recent trends. This is particularly true since the Census Bureau has only been tracking the percentage of wireless expenditures on internet access since 2012, so it would not be possible to go back and retroactively adjust data prior to then.

8 Roche, Robert F. and McNicholas, Sean, “CTIA’s Wireless Industry Indices Report,” June 2019, page 40.

Appendix B: What Are Universal Service Funds?

The Federal Universal Service Fund

The Federal Universal Service Fund (FUSF) is administered by the FCC under open-ended authority from Congress. The program subsidizes telecommunications services for schools, libraries, hospitals, low-income people, and rural telephone companies operating in high-cost areas. The FCC has also recently decided to use funds to fund broadband deployment.

The FCC has authority to set spending for these programs outside of the normal congressional appropriations process. After deciding what to spend on the various programs, the FCC sets the quarterly “contribution factor” or surcharge rate that telecommunications providers must remit to the FUSF to generate sufficient revenues to fund the expenditure commitments. Providers are permitted to surcharge these “contributions” on the phone bills.

FUSF surcharges apply only to interstate telecommunications services. They currently do not apply to internet access service, information services, and intrastate telecommunications services.

Wireless carriers generally sell plans that include either unlimited voice minutes or a fixed number of voice minutes for a set amount. Since these plans include both interstate calls (subject to the FUSF) and intrastate calls (not subject to FUSF), the FCC allows providers to allocate the fixed monthly plans to interstate and intrastate calls by one of two methods. Carriers may use traffic studies to show the actual split between interstate and intrastate calls for all subscribers and apply the FUSF to the aggregated interstate portion of subscriber calls.

Alternatively, carriers may use a single uniform national “safe harbor” percentage to its fixed monthly plans. The FCC currently sets this safe harbor at 37.1 percent of the fixed monthly charge. For example, when determining the FUSF, a customer with a \$50 monthly wireless voice calling plan is deemed to include \$18.55 in interstate calls and \$31.45 in intrastate calls. If a carrier elects to use the safe harbor, the FUSF rate would be applied to \$18.55 of the bill each month.

The FUSF rate is set by the FCC each quarter. For the period beginning July 1, 2019, the rate is 24.4 percent. Thus, the FUSF rate applied on assessable wireless revenues using the FCC safe harbor amount is 9.05 percent (24.4 percent times 62.9 percent).⁹ Figure B1 below highlights the significant growth in the FCC contribution rate since 2003.

Despite the growing burden on wireless consumers, Congress has shown little interest in restricting or otherwise limiting the growth of the programs funded through the FSUF.

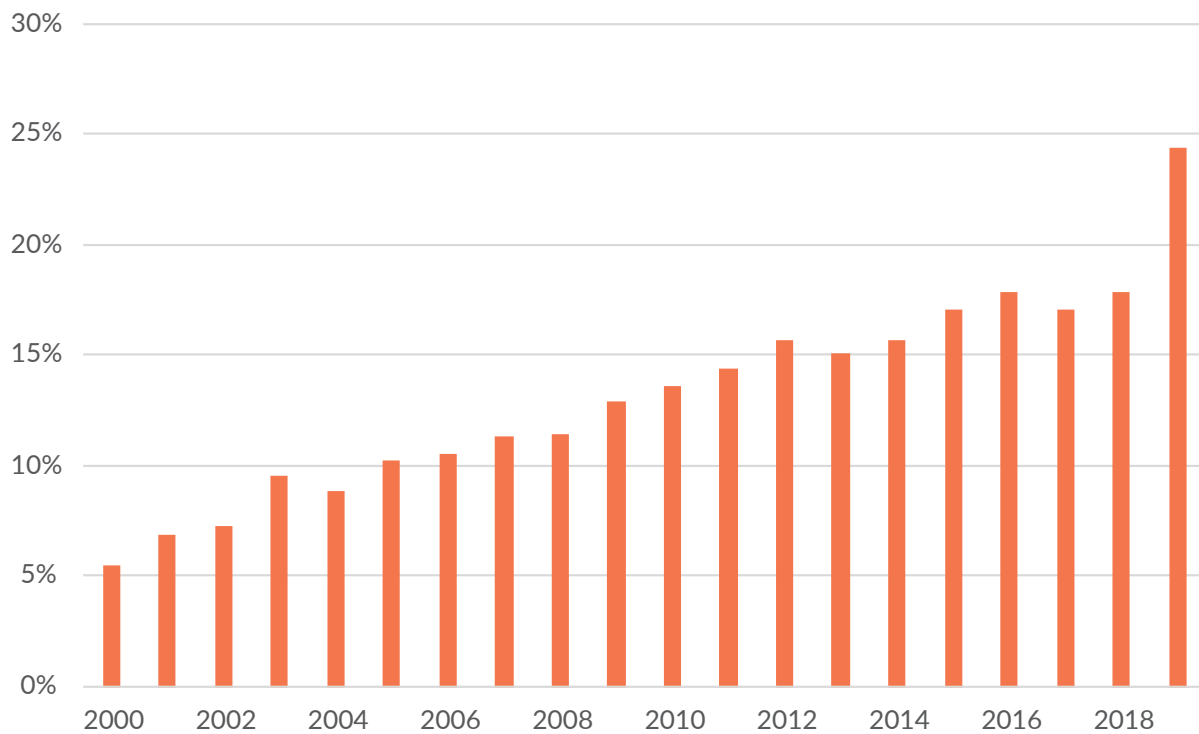
State Universal Service Funds

States also have the authority to supplement the programs funded through the FUSF with their own programs funded through state universal services funds. The state programs are funded by surcharges applied to the intrastate portion of telephone charges. In this report, the inverse of the

⁹ For the purposes of this report, the FCC safe harbor percentage is used. This allows for consistent multi-year comparisons of taxes, fees, and surcharges.

FIGURE B1

Federal Universal Contribution Fund Rates, 2000-2019



Source: Federal Communications Commission <http://www.usac.org/cont/tools/contribution-factors.aspx>. Rates are from July 1 of each year.

FUSF safe harbor is used to calculate the rates of the state USF in all states except Vermont, which imposes its state USF on both interstate and intrastate charges. As in the previous example, if a consumer has a \$50 monthly wireless voice plan, 62.9 percent of that charge (\$31.45) is deemed to be an intrastate service subject to the state USF charge and \$18.55 is an interstate service not subject to state USF charges.

Like the FUSF, state universal service fund charges do not apply to internet access. State USF charges are key factors in the high wireless tax burden in states like Alaska, Arkansas, California, Kansas, and Nebraska.

Appendix C.

APPENDIX C

State and Local Transaction Taxes, Fees, and Government Charges on Wireless Service, as of July 1, 2019

State	Type of Tax	Rate	Comments
Alabama	AL Cell Service Tax	6.00%	Access, interstate and intrastate
	E911	4.91%	\$1.86 per month
	TOTAL TRANSACTION TAX	10.91%	
Alaska	Local Sales Tax	2.50%	Avg. of Juneau: 5%; Anchorage: 0%
	Local E911	5.15%	Anchorage: \$2.00; Juneau: \$1.90
	State USF	6.29%	10.0% times FCC safe harbor
	TOTAL TRANSACTION TAX	13.94%	
Arizona	State sales (transaction priv.)	5.60%	Intrastate telecommunications service
	County sales (transaction priv.)	0.60%	Phoenix (Maricopa): 0.7%; Tucson (Pima): 0.5%
	City telecommunications	5.90%	Avg. Phoenix: 4.7%; Tucson: 7.1%
	911	0.53%	\$0.20 per month
	TOTAL TRANSACTION TAX	12.63%	
Arkansas	State sales tax	6.50%	
	Local sales taxes	2.88%	Avg. Little Rock: 2.5%; Fayetteville: 3.25%
	State High Cost Fund	5.19%	8.25% times FCC safe harbor
	Wireless 911	1.72%	\$0.65 per month statewide.
	TRS service & TRS equipment	0.11%	\$0.03 per line per month
	TOTAL TRANSACTION TAX	16.39%	
California	Local Utility User Tax	8.00%	Avg. of LA: 9%; Sacramento: 7%
	State 911	0.47%	0.75% times FCC safe harbor
	PUC fee	0.21%	0.34% times FCC safe harbor
	ULTS (lifeline)	2.99%	4.75% times FCC safe harbor
	Deaf/CRS	0.31%	0.50% times FCC safe harbor
	High Cost Funds A & B	0.22%	0.35% times FCC safe harbor
	Teleconnect Fund	0.49%	0.78% times FCC safe harbor
	CASF - advanced services fund	0.35%	0.56% times FCC safe harbor
	TOTAL TRANSACTION TAX	13.05%	
Colorado	State Sales Tax	2.90%	Access and intrastate
	Local Sales Tax -- City/County	3.82%	Avg. of Denver: 5.41%; Colorado Springs: 2.23%
	911	3.37%	Denver: \$1.20; Colorado Springs: \$1.35
	USF	1.64%	2.6% times FCC safe harbor
	TDD Tax	0.11%	\$0.04 per month
	TOTAL TRANSACTION TAX	11.83%	
Connecticut	State sales tax	6.35%	Access, interstate and intrastate
	911	1.53%	\$0.58 per line
	TOTAL TRANSACTION TAX	7.88%	
Delaware	Public Utility Gross Receipts Tax	5.00%	Access and intrastate
	Local 911 tax	1.59%	\$0.60 per month
	TRS fee	0.05%	\$0.02 per line per month
	TOTAL TRANSACTION TAX	6.64%	
District of Columbia	Telecommunication Privilege Tax	10.00%	Monthly gross charge;
	911	2.01%	\$0.76 per month
	TOTAL TRANSACTION TAX	12.01%	
Florida	State Communications services	7.44%	Access, interstate and intrastate
	Local Communications services	6.36%	Jacksonville: 5.82%; Tallahassee: 6.9%
	911	1.06%	\$0.40 per month statewide
	TOTAL TRANSACTION TAX	14.86%	

APPENDIX C, CONTINUED.

State and Local Transaction Taxes, Fees, and Government Charges on Wireless Service, as of July 1, 2019

State	Type of Tax	Rate	Comments
Georgia	State sales tax	3.70%	4% of "access charge" — assume \$35
	Local sales tax	4.11%	Avg. Atlanta: 4.9%; Augusta: 4%
	Local 911	3.96%	\$1.50 per line statewide
	TOTAL TRANSACTION TAX	11.78%	
Hawaii	Public service company tax	4.00%	
	Additional county tax	1.89%	
	PUC Fee	0.16%	0.25% of intrastate charges
	Wireless 911 fee	1.74%	\$0.66 per month
	TOTAL TRANSACTION TAX	7.79%	
Idaho	Telephone service assistance program	0.00%	Set annually by PUC — currently zero
	Statewide wireless 911	2.64%	Boise: \$1.00 per month
	TOTAL TRANSACTION TAX	2.64%	
Illinois	State telecom excise tax	7.00%	Access, interstate and intrastate
	Simplified municipal tax	6.50%	Avg. Chicago: 7%; Springfield: 6%
	Wireless 911	8.59%	Chicago: \$5 per month; others: \$1.50 per month
	TRS fee	0.05%	\$0.02 per line per month
	TOTAL TRANSACTION TAX	22.14%	
Indiana	State sales tax	7.00%	Access and intrastate
	Utility receipts tax	1.40%	Same base as sales tax
	Wireless 911	2.64%	\$1.00 per month
	State USF	0.69%	1.09% times FCC safe harbor
	PUC fee	0.12%	0.15% times FCC safe harbor
	TRS fee	0.08%	\$0.03 per line per month
	TOTAL TRANSACTION TAX	11.93%	
Iowa	State sales tax	6.00%	
	Local option sales taxes	1.00%	Avg. Cedar Rapids: 1%; Des Moines: 1%
	Wireless 911	2.64%	\$1.00 per month
	Dual Party Relay Service fee	0.08%	\$0.03 per month
	TOTAL TRANSACTION TAX	9.72%	
Kansas	State sales tax	6.50%	Intrastate & interstate
	Local option sales taxes	1.83%	Avg. of Wichita (1.0%) & Topeka (2.65%)
	USF	4.33%	6.88% x FCC safe harbor
	Wireless 911	2.38%	\$.90 per month per line
	TOTAL TRANSACTION TAX	15.03%	
Kentucky	State sales tax	6.00%	Access, interstate and intrastate
	School utility gross receipts	1.50%	Avg. Frankfort: 3%; Louisville: 0%
	Kentucky USF	0.18%	\$0.07 per month
	Kentucky TAP & TRS	0.08%	TAP: \$0.02; TRS: \$0.01
	Wireless 911	1.85%	\$0.70 per month
	Communications gross receipts tax	1.30%	Access, interstate and intrastate
	TOTAL TRANSACTION TAX	10.91%	
Louisiana	State sales tax	3.45%	Intrastate rate
	Wireless 911	2.77%	New Orleans: \$1.25 per month; Baton Rouge: \$0.85 per month
	State USF	3.41%	May vary by carrier
	TRS fee	0.13%	\$0.05 per line per month
	TOTAL TRANSACTION TAX	9.63%	
Maine	State service provider tax	6.00%	
	911 fee	1.19%	\$0.45 per month
	Maine USF	1.32%	2.1% times FCC safe harbor
	MTEAF	0.55%	\$0.21 per line per month
	TOTAL TRANSACTION TAX	9.06%	

APPENDIX C, CONTINUED.

State and Local Transaction Taxes, Fees, and Government Charges on Wireless Service, as of July 1, 2019

State	Type of Tax	Rate	Comments
Maryland	State sales tax	6.00%	
	Local telecom excise	5.28%	\$4.00 per month in Baltimore; \$0 in Annapolis
	State 911	1.32%	\$0.50 per month
	County 911	1.98%	Currently \$0.75 per month in all counties
	State USF	0.13%	\$0.05 per month
	TOTAL TRANSACTION TAX	14.72%	
Massachusetts	State sales tax	6.25%	Interstate and intrastate
	Wireless 911	3.96%	\$1.50 per month
	TOTAL TRANSACTION TAX	10.21%	
Michigan	State sales tax	6.00%	Interstate and intrastate
	State wireless 911	0.66%	\$0.25 per month
	County wireless 911	2.93%	Detroit: \$0.42; Lansing: \$1.80
	Intrastate toll assessment	0.32%	0.51% of intrastate charges
	TOTAL TRANSACTION TAX	9.91%	
Minnesota	State sales tax	6.88%	Interstate and intrastate
	Local sales tax	1.08%	Minneapolis: 1.15%; St. Paul: 1.0%
	911	2.51%	\$0.95 per month
	Telecom access MN fund	0.13%	\$0.05 per line per month
	TOTAL TRANSACTION TAX	10.59%	
Mississippi	State sales tax	7.00%	Access, interstate and intrastate
	Wireless 911 & 911 training fee	2.77%	\$1.05 per month per line
	TOTAL TRANSACTION TAX	9.77%	
Missouri	State sales tax	4.23%	Access and intrastate
	Local sales taxes	4.19%	Avg. Jefferson City: 3.5%; Kansas City: 4.875%
	Local business license tax	6.50%	Jefferson City: 7%; Kansas City: 6% residential
	TOTAL TRANSACTION TAX	14.91%	
Montana	Telecom excise tax	3.75%	Access, interstate and intrastate
	911 & E911 tax	2.64%	\$1.00 per number per month
	TDD tax	0.26%	\$0.10 per number per month
	TOTAL TRANSACTION TAX	6.66%	
Nebraska	State sales tax	5.50%	Access & intrastate
	Local sales tax	1.50%	Lincoln 1.5%; Omaha: 1.5%
	City business and occupation tax	6.13%	Avg. Omaha: 6.25%; Lincoln: 6.0%
	State USF	4.62%	\$1.75 per line per month
	Wireless 911	1.19%	\$0.45 per month
	TRS	0.08%	\$0.03 per month
	TOTAL TRANSACTION TAX	19.02%	
Nevada	Local franchise / gross receipts	1.98%	5% of first \$15 intrastate revenues
	Local 911 tax	1.12%	Washoe County: \$0.85 per month; Clark County: 0%
	State deaf relay charge	0.16%	\$0.06 per access line
	Nevada USF	0.18%	0.283% times FCC Safe Harbor
	TOTAL TRANSACTION TAX	3.44%	
New Hampshire	Communication services tax	7.00%	Access, interstate and intrastate
	911 tax	1.98%	\$0.75 per month
	TOTAL TRANSACTION TAX	8.98%	
New Jersey	State sales tax	6.63%	
	Wireless 911	2.38%	\$0.90 per month
	TOTAL TRANSACTION TAX	9.00%	

APPENDIX C, CONTINUED.

State and Local Transaction Taxes, Fees, and Government Charges on Wireless Service, as of July 1, 2019

State	Type of Tax	Rate	Comments
New Mexico	State gross receipts (sales) tax	5.13%	5.125% intrastate; 4.25% interstate
	City and county gross receipts tax	3.03%	Avg. Santa Fe: 3.3125%; Albuquerque: 2.75%
	Wireless 911	1.35%	\$0.51 per month
	TRS surcharge	0.21%	0.33% times FCC safe harbor
	State USF	3.28%	\$1.24 per line per month
	TOTAL TRANSACTION TAX	12.99%	
New York	State sales tax	4.00%	Intrastate and monthly access
	Local sales taxes	4.25%	NYC: 4.5%; Albany: 4%
	MCTD sales tax	0.19%	NYC: 0.375%; Albany: 0%
	State excise tax (186e)	2.90%	Mobile telecom service -- includes interstate
	MCTD excise/surcharge (186c)	0.36%	NYC & surrounding counties: 0.72%; Albany: 0%
	Local utility gross receipts tax	1.49%	NYC: 84% of 2.35%; Albany: 1%
	State wireless 911	3.17%	\$1.20 per month
	Local wireless 911	0.79%	NYC & most counties: \$0.30 per month
	School district utility sales tax	1.50%	Albany: 3%; NYC: 0%
	TOTAL TRANSACTION TAX	18.65%	
North Carolina	State sales tax	7.00%	Statewide combined rate includes local rates
	Wireless 911	1.72%	\$0.65 per month
	TRS Charge	0.21%	\$0.08 per month
	TOTAL TRANSACTION TAX	8.93%	
North Dakota	State sales tax	5.00%	Access and intrastate
	Local sales taxes	2.25%	Avg. Fargo: 2.5%; Bismarck: 2.0%
	State gross receipts tax	2.50%	interstate and intrastate
	Statewide Interoperable Radio Network Tax	1.32%	\$0.50 per line per month
	Local 911 tax	3.96%	Bismarck: \$1.50; Fargo: \$1.50
	TRS	0.08%	Up to \$0.11 per month. Currently \$0.03
	TOTAL TRANSACTION TAX	15.11%	
Ohio	State sales tax	5.75%	Access, interstate and intrastate
	Local sales taxes	2.00%	Columbus: 1.75%; Cleveland: 2.25%
	Regulatory fee	0.10%	0.1525% of intrastate revenues
	State/local wireless 911	0.66%	\$0.25 per month per phone number
	TOTAL TRANSACTION TAX	8.51%	
Oklahoma	State sales tax	4.50%	Access, interstate and intrastate
	Local sales taxes	4.07%	Avg. OK City: 4.125%; Tulsa: 4.017%
	Local 911	1.98%	OK City & Tulsa: \$0.75 per month
	USF	3.95%	6.28% times FCC safe harbor
	TOTAL TRANSACTION TAX	14.50%	
Oregon	Local utility tax	0.00%	No tax on wireless in Portland or Salem
	911 tax	1.98%	\$0.75 per month
	RSPF Surcharge	0.29%	\$0.11 per month
	TOTAL TRANSACTION TAX	2.27%	
Pennsylvania	State sales tax	6.00%	Access, interstate and intrastate
	State gross receipts tax	5.00%	Access, interstate and intrastate
	Local sales tax	1.00%	Philadelphia: 2%; Harrisburg: 0%
	Statewide wireless 911	4.36%	\$1.65 per month
	TOTAL TRANSACTION TAX	16.36%	
Puerto Rico	IVU (Sales Tax)	11.50%	
	911 fee	1.32%	\$0.50 per line
	USF	0.87%	1.39% times FCC safe harbor
	TOTAL TRANSACTION TAX	13.70%	

APPENDIX C, CONTINUED.

State and Local Transaction Taxes, Fees, and Government Charges on Wireless Service, as of July 1, 2019

State	Type of Tax	Rate	Comments
Rhode Island	State sales tax	7.00%	Access, interstate and intrastate
	Gross receipts tax	5.00%	Access, interstate and intrastate
	911 fee	2.64%	\$1.00 per month
	Additional wireless 911 fee	0.69%	\$0.26 per month
	TOTAL TRANSACTION TAX	15.33%	
South Carolina	State sales tax	6.00%	Access, interstate and intrastate
	Local sales tax	2.50%	Avg. Charleston: 3%; Columbia 2%
	Municipal license tax	1.00%	Charleston: 1.0%; Columbia: 1.0%
	Dual party relay charge	0.08%	\$0.03 per line per month
	State USF	1.20%	1.9% times FCC safe harbor
	911 tax	1.64%	\$0.62 per month
	TOTAL TRANSACTION TAX	12.41%	
South Dakota	State sales tax	4.50%	Access, interstate and intrastate
	State gross receipts tax	4.00%	
	local option sales tax	2.00%	Avg. Pierre: 2.0%; Sioux Falls: 2.0%
	911 excise	3.30%	\$1.25 per month
	TRS fee	0.40%	\$0.15 per month by statute
	PUC fee	0.09%	0.15% of intrastate receipts
	TOTAL TRANSACTION TAX	14.29%	
Tennessee	State sales tax	7.00%	Access, interstate and intrastate
	Local sales tax	2.50%	Statewide local rate for intrastate
	911 tax	3.06%	\$1.16 per month
	TOTAL TRANSACTION TAX	12.56%	
Texas	State sales tax	6.25%	Access, interstate and intrastate
	Local sales tax	2.00%	Austin: 2.0%; Houston: 2.0%
	Wireless 911 tax	1.32%	\$0.50 per month per line
	Texas USF	2.08%	3.3% times FCC safe harbor
	911 Equalization surcharge	0.16%	\$0.06 per line
	TOTAL TRANSACTION TAX	11.81%	
Utah	State sales tax	4.85%	Access and intrastate
	Local sales taxes	2.65%	Avg. Salt Lake City: 2.9%; Provo: 2.4%
	Local utility wireless	3.50%	Levied at 3.5% max. in SLC and Provo
	State 911 service charges	2.54%	\$0.96 per month
	State Radio Network charge	1.37%	\$0.52 per month
	State USF	1.59%	\$0.60 per month
	TOTAL TRANSACTION TAX	16.50%	
Vermont	State sales tax	6.00%	Access, interstate and intrastate
	Local sales tax	0.50%	Avg. Montpelier: 0%; Burlington: 1%
	State 911/USF	2.40%	Funds 911 and other programs
	TOTAL TRANSACTION TAX	8.90%	
Virginia	State communications sales tax	5.00%	
	Wireless 911	1.98%	\$0.75 per month
	TOTAL TRANSACTION TAX	6.98%	
Washington	State sales tax	6.50%	Access, interstate and intrastate
	Local sales taxes	3.20%	Avg. Olympia: 2.8%; Seattle: 3.6%
	B&O / Utility Franchise -- local	7.50%	Avg. Olympia: 9%; Seattle: 6%
	911 -- state	0.66%	\$0.25 per month
	911 -- local	1.85%	\$0.70 per month
	TOTAL TRANSACTION TAX	19.71%	

APPENDIX C, CONTINUED.

State and Local Transaction Taxes, Fees, and Government Charges on Wireless Service, as of July 1, 2019

State	Type of Tax	Rate	Comments
West Virginia	State sales tax	0.00%	No sales tax on wireless
	Wireless 911	10.20%	\$3.86 per month
	TOTAL TRANSACTION TAX	10.20%	
Wisconsin	State sales tax	5.00%	Access, intrastate and interstate
	Local sales tax	0.55%	Avg. Milwaukee: 0.6%; Madison: 0.5%
	Police and Fire Protection Fee	1.98%	\$0.75 per month
	State USF	0.18%	0.28% times FCC safe harbor
	TOTAL TRANSACTION TAX	7.71%	
Wyoming	State sales tax	4.00%	Access and intrastate
	Local sales tax	1.50%	Avg. Cheyenne: 2%; Casper: 1%
	TRS	0.24%	Up to \$0.25/month. Currently \$0.09
	USF	1.07%	1.7% times FCC safe harbor
	911 tax	1.98%	\$0.75 per month in Cheyenne and Casper
	TOTAL TRANSACTION TAX	8.79%	

ARPU = \$37.85**FCC Safe Harbor = 62.9%**

Sources: Committee on State Taxation, 50-State Study and Report on Telecommunications Taxation, May 2005. Updated July 2019 by Scott Mackey, Leonine Public Affairs LLP, using state statutes and regulations. Average Revenue Per Unit (ARPU): \$37.85 per Cellular Telephone and Internet Association, July 2019.