

SJR

11

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Alaska State Legislature

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SENATE DISTRICT F

SJR 11

Sponsor Statement

This resolution encourages Congress to once again pass a provision to repeal the "tax on talking", formally known as the federal excise tax on communications. This tax was originally put into place in 1898 to help fund the Spanish American War under the guise of a temporary luxury tax.

Since that time, it has been repealed twice, reenacted in 1941, adjusted from 10% in 1965 downward to be phased out at 1% per year, reached a low of 1% in 1981 and then began to rise and climbed back to 3%. It has remained at that level since the Revenue Reconciliation Act of 1990. In 2000 Congress moved to repeal the tax once and for all; however President Bill Clinton vetoed the measure.

Currently more than 94 million households pay the 3% phone tax. It disproportionately hurts seniors and others on low or fixed incomes. It affects 96% of the households using the phone lines for Internet service. At a time when we are trying to increase commerce this is a harmful tax.



Alaska State Legislature

Senate Majority Web: www.akrepublicans.org

Sponsor: Senator Gene Therriault
Current Version: SJR 11
Contact: Dave Stancliff, 465-4797

Fact Sheet for: Senate Joint Resolution 11

Short Title: REPEAL TELECOMMUNICATIONS TAX

Summary:

- Urges the United State Congress to amend the tax code to repeal the federal excise tax on communications.

Benefits:

- Could encourage expansion of the telephone infrastructure, Internet and other new technologies.
- Urges repeal of a regressive federal excise tax that no longer serves its intended purpose.

Background:

- The federal excise tax on communications was enacted in 1898 for the purpose of funding the Spanish-American war as a "temporary" luxury tax. Telephone service is no longer a luxury, but a necessity. The federal excise tax is regressive, as low-income Americans pay a higher percentage of their income for telephone services than high-income Americans. The tax now flows into the general fund, rather than being earmarked for a specific purpose. The U.S. Congress passed a repeal of the federal excise tax on telecommunications in 2000, but it was vetoed by President Bill Clinton.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SJR 11
(S) Publish Date: 4/6/2005

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue 04
Title: Repeal Telecommunications Tax RDU: Tax and Treasury
Component: Tax
Sponsor: Senator Therriault
Requester: (S) L&C Component No.: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS:

We could not find any data specifically on the federal excise tax revenue on telecommunications broken down by State. However, the economic census for 1997 lists total receipts from telecommunications revenue in Alaska at \$766,441,000 and in the nation at \$260,500,898,000. Although updated census information is available for the nation it is not yet available for telecommunications in Alaska. The ratio of Alaska telecommunications sales to national telecommunication sales is then .0029. The revenue collected nationally from this tax for federal fiscal year 2003 (October 1 - September 30) was \$5.8 billion. If we multiply the above ratio against the national tax revenue from the federal telecommunications tax (\$5.8 billion x .0029) we obtain an estimate of about \$17 million for the amount Alaskan taxpayers pay in federal telecommunication taxes.

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Division: Tax Division Date/Time: 3/31/05 8:15 AM
Approved by: Tom Boutin, Deputy Commissioner Date: 3/31/2005
Agency: Revenue