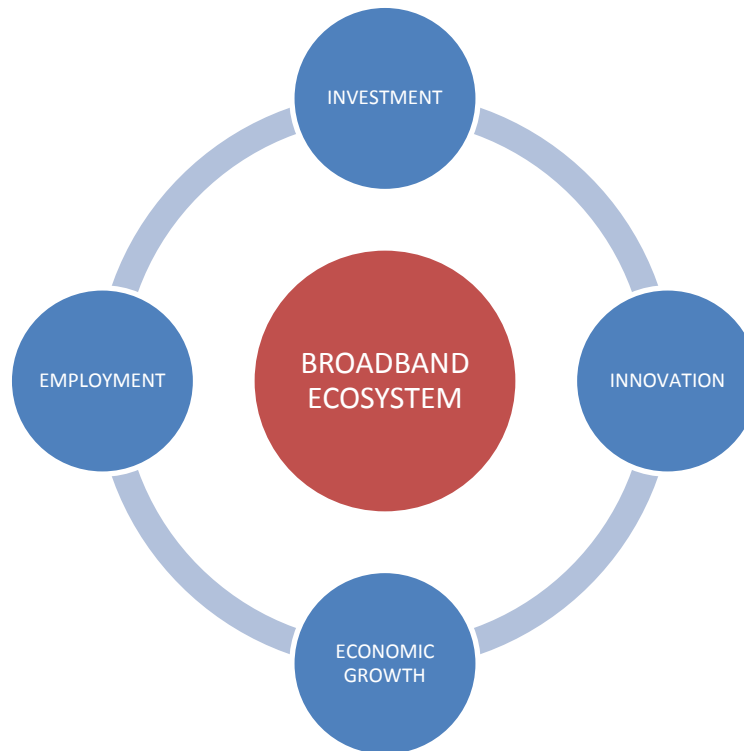


U.S. Wireless Industry: Leading the World

Dramatic, rapid, disruptive growth

Significant direct & indirect impact on Kansas economy



Wireless TAXES & FEES

- ▶ The U.S. wireless industry, its direct/indirect employees, and users paid \$88.6 billion in federal, state, and local taxes and fees.
- ▶ The average taxes and fees imposed on wireless consumers is 17.18 percent, which increased 5.5 percent in two years. Wireless taxes are more than twice the average general business tax of 7.334%.
- ▶ As of July 2012, Kansas was ranked as the 10th highest rate in the country with 18.93% combined federal/state/local rate.
- ▶ 46 states and the District of Columbia impose state and local taxes and fees higher than those on other taxable goods and services.
- ▶ Wireless consumers support E-911 services through a surcharge on their wireless bill.

Wireless in Kansas

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- ▶ Consumers contribute \$8.7 billion to the Universal Service Fund (USF) each year with wireless consumers contributing 44%.
- ▶ In 2012, the average federal USF rate is 5.82 percent, which means the average U.S. wireless customer paid \$3.10 per month in USF fees.
- ▶ Dr. Raul Katz, Director of Business Strategy Research at the Columbia Institute for Tele-Information, recently completed an econometric study that modeled the impact of a repeal of the sales tax on communications network investment in the United States.
- ▶ Kansas is a state that currently taxes the initial purchase of equipment, which increases the cost of deploying infrastructure upgrades and decreases the amount of capital available for deploying communications networks.

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- ▶ Data provided by the major communications companies (wireless, wireline, and cable) to Dr. Katz and extrapolated to the entire industry indicates that, in 2010, total communications network investment in Kansas subject to the sales tax was an estimated \$230 million.
- ▶ Assuming a similar level of investment and using a state-only sales tax rate of 5.7% that reflects the rate reduction on July 1, the static estimate for a sales tax equipment exemption is \$13-14 million.
- ▶ The Katz study modeled the direct, indirect, and induced economic impacts of a sales tax reduction using five years of investment data.

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- ▶ The model suggests that the reduction in the sales tax would generate as much as \$19 million in new communications network investment in Kansas in the first full year after enactment.
- ▶ This number includes the \$13-\$14 million in new investment solely due to the elimination of the sales tax and an additional \$6 million in new investment over and above the sales tax savings.
- ▶ The model suggests that this new investment would result in the creation of approximately 580 new jobs paying \$32 million in wages and would generate significant new state and local tax revenues.
- ▶ For the purposes of the study, Dr. Katz assumed that 66% of total industry investment is for capital items subject to sales tax.

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- Sources:
 - CTIA: The Wireless Association, www.ctia.org
 - Dr. Raul Katz, “Assessment of the Economic Impact of Taxation on Communications Investment in the United States.” Report to the Broadband Tax Institute, October 2012. Available at www.broadbandtax.org
 - Scott Mackey, “Wireless Taxes and Fees Continue Growth Trend.” State Tax Notes, October, 2012. Available at <http://www.ksefocus.com/wireless-taxes-and-fees-continue-growth-trend>