

October 29, 2024

Re: Oppose Broadband Taxes

Dear Member of Congress:

At a time when everyday Americans continue to struggle with inflation, the last thing consumers need are higher monthly internet bills. We, the undersigned organizations and individuals, therefore urge you to oppose any attempts to impose new taxes on broadband service, including by assessing broadband for contributions to the Universal Service Fund (USF).

While USF faces fiscal challenges, these should ideally be addressed through distribution reform. If the contribution base for USF is expanded to include mass-market broadband providers, it will be American households that foot the bill to keep this program on life support. At a time when Congress has appropriated billions for rural broadband buildout, including the \$42 billion BEAD program, taxing the very service Congress wants more Americans to adopt is self-defeating.

Under the Telecommunications Act of 1996, the USF was [established](#) to subsidize broadband access to rural American communities, funded by a quarterly contribution factor from wireline and wireless telecommunications providers. Three decades ago, contribution revenue generated from traditional voice calls was enough to bankroll a sizable portion of the USF alone. However, following the rise of competing services such as text messaging and digital streaming, USF revenue streams have collapsed in recent years. According to the Technology Policy Institute, the taxable base for USF contributions has [declined](#) from \$70 billion in 2003 to \$30 billion in 2022. In response, the USF has been forced to [squeeze](#) its diminishing collection base even further, raising the contribution factor from 14 percent in 2010 to 34 percent in 2024.

In response to this looming funding shortfall, some lawmakers have proposed expanding the USF contribution burden to broadband providers. While this solution may provide some fleeting relief for legacy telecommunications services, it is guaranteed to deliver excessive price hikes for millions of American consumers. These misguided proposals will treat what are ultimately problems of design, eligibility, and duplication as a revenue problem and simply raise taxes to meet future shortfalls.

In January 2024, FCC Chair Jessica Rosenworcel [cautioned](#) against this approach as well, explaining that “any reforms that increase the contribution base...will likely be passed through and have a direct effect on consumers.” This prediction should certainly be heeded because [82 percent](#) of USF contributors already pass their contribution costs on to consumers. For mass-market broadband providers in particular, Chair Rosenworcel [insisted](#) that a mandatory USF contribution would “lead to an *increase* in the monthly broadband bills paid by the average household”, citing a [Future of USF report](#) forecasting monthly price hikes as high as \$17.96.

Rather than taxing broadband, lawmakers should focus on cutting through the bureaucratic thicket and lowering costs for consumers and broadband providers alike.

Signed,



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President
Americans for Tax Reform



James Erwin
Executive Director
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Chuck Muth
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