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THE FEDERAL TELEPHONE EXCISE TAX

The “*temporary*” 3% federal telephone excise tax (FET) – originally adopted a century ago to fund the Spanish American War in 1898 and re-imposed during World War I – still remains with us today. The telephone excise tax, if not repealed this year, will have been imposed on consumers in three different centuries, adding new meaning to “*temporary*.”

- This year, USTA has joined forces with the Cellular Telephone Industry Association, AT&T and Bell Atlantic to advocate for the repeal of this tax once and for all. This coalition has already begun discussions with House and Senate leaders, and there appears to be an interest in ending this burden on consumers.
- Although the “*Tax on Talking*” is labeled an excise tax, it really functions as a general revenue tax, since virtually all Americans subscribe to telephone service. With more than 92% of all Americans having telephone services, repeal of the 3% telephone tax will have a positive, immediate impact on nearly every household and business in America.
- Additional reasons to repeal the FET include:
 - The FET is highly regressive, since low-income Americans pay a higher percentage of their income on telephone service than middle or upper income Americans.
 - Repeal of the FET would be a good first step toward reducing the highly discriminatory tax burden (3-to-1 when compared to general business services) placed on many telecommunications products.
 - The FET increases the cost of telecommunications services for all customers and therefore is inconsistent with the '96 Act's goal of promoting the widespread use of advanced telecommunications services by all American citizens and businesses.

Telecommunications service isn't a luxury – it's a necessity. The FET keeps people off of the Internet, perpetuating the gap between the “*digital haves*” and the “*digital have-nots*.” It's time to repeal the “*temporary*” FET and help this nation's consumers realize the promise of the '96 Act.