



May 16, 2017

The Honorable Mitch Carmichael
Office of the Senate President – Lt. Governor
Room 229M, Building 1
State Capitol Complex
Charleston, WV 25305

The Honorable Tim Armstead
Speaker of the House of Delegates
Room 228M, Building 1
State Capitol Complex
Charleston, WV 25305

Dear Senate President Carmichael and Speaker Armstead:

On behalf of CTIA, the trade association for the wireless communications industry, and its member companies, I write to express concerns about budget proposals in West Virginia to impose sales tax on the purchases of machinery, supplies, and materials used to provide communication services. At the same time, there are proposals to apply sales tax to the purchase of telecommunications and ancillary services as well as certain digital products and services. It is particularly concerning to note that these proposals do not contain a provision to exclude underlying business-to-business transactions. These types of tax policies are counter-productive to the shared goal of many policymakers in West Virginia - and neighboring states - to increase broadband investment and accessibility for their constituents.

In order to avoid tax pyramiding, consideration of any proposal to impose sales tax on the retail consumption of telecommunications service should recognize that the underlying business-to-business transactions and purchases of machinery and supplies used to provide those services should not be taxed, too. Tax pyramiding is a tax on a tax, and experts of all political persuasions universally agree that this is bad tax policy because it imposes hidden taxes on consumers. It is disconcerting to know that the communications industry, clearly a growth engine for any state's economy, will be penalized not once, but twice, in West Virginia.

According to a recent economic impact analysis, the wireless industry, through direct and indirect sources, accounts for over 27,000 jobs representing \$1.4 billion in wages with an economic impact of over \$9 billion in West Virginia. In addition, the wireless industry is responsible for over \$354 million in state taxes paid, including corporate, property, and payroll taxes. Any new tax on broadband equipment would reduce investment in West Virginia by the sales tax amount, as investment dollars are diverted to government accounts instead of improving networks for West Virginia businesses and residents. At a time when broadband providers are struggling to make the investments necessary to keep up with demand for broadband service, a new tax would signal to providers that West Virginia is not open to new investment.

Broadband networks provide vital benefits to many businesses, governments, and non-profit organizations that increasingly rely on these networks to improve productivity, service delivery, and safety and security. Any new tax would slow broadband deployment especially in underserved areas of the state. It makes no sense to tax infrastructure investment critical to improving the economy in West Virginia at the same time that state and federal policies – through consumer taxes and fees – are encouraging and subsidizing the very same investment.

For these reasons, we respectfully request that you oppose any new tax on communications equipment investment and avoid tax pyramiding when considering any proposals to tax the retail consumption of telecommunication and related services.

Sincerely,

A handwritten signature in black ink, appearing to read "Gerard Keegan". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Gerard Keegan
Assistant Vice President
State Legislative Affairs

cc: Members, West Virginia Legislature