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Technology Evolution and the Impact on Telecom Taxes

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M. Hosein Fallah, Ph.D.
Associate Professor
Wesley J. Howe School of Technology Management
Stevens Institute of Technology
Hoboken, NJ 07030
201-216-5018
hfallah@stevens.edu

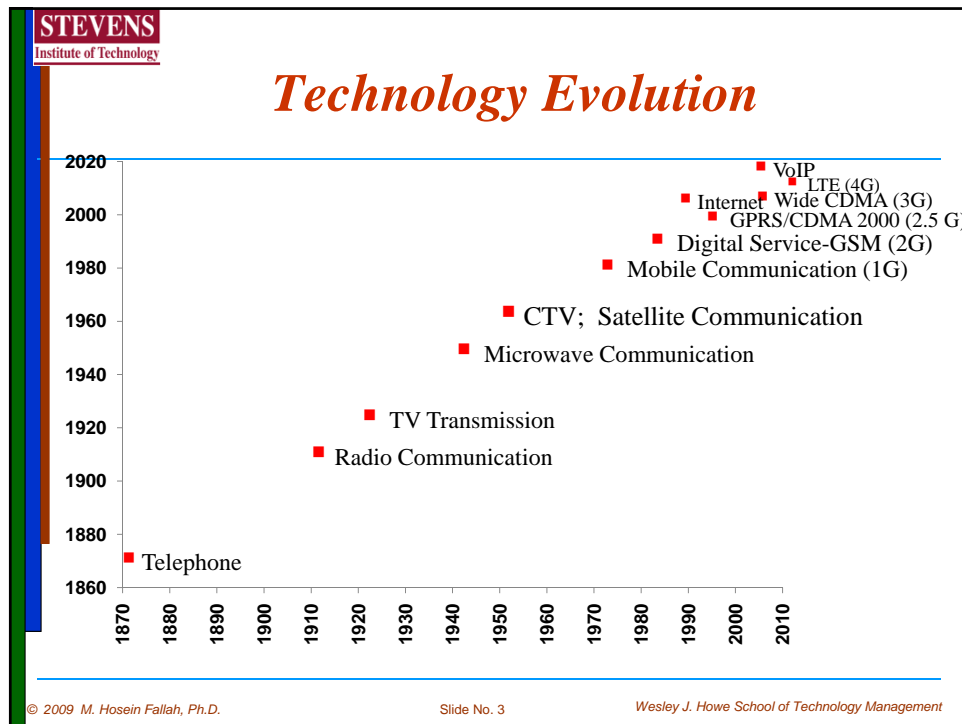
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Outline

- **Evolution of Telecom Technologies**
- **Anomalies in Communications Taxes and Fees**
- **Leveling the Playing Field**

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- ## Industry Evolution
- Monopoly of the Bell System ~1900-1982
 - Deregulation of Long Distance 1982
 - Breakup of the Bell System 1984
 - Cable Communication Act of 1984 and the Franchise Fee
 - 1996 Communication Act and deregulation of the industry
 - The Industry has broken many new grounds in the past decade outpacing the policy process on taxation
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Telecom Taxes & Fees

- Industry evolution has brought many benefits to consumers and opportunities for businesses
- It has also outdated the tax policies resulting in unintended consequences for
 - State
 - Municipalities
 - Consumer
 - Service providers

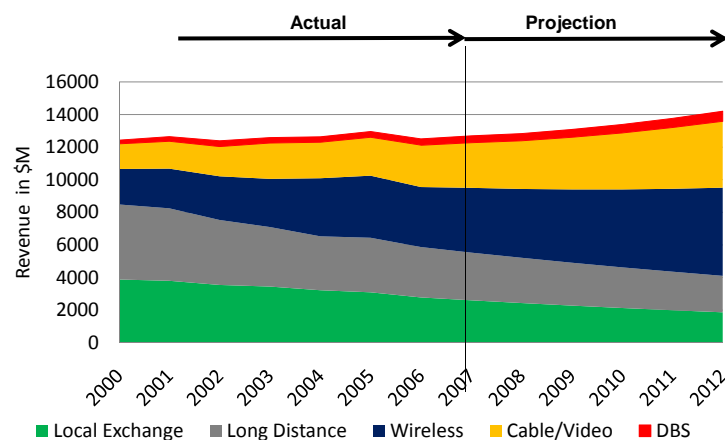
Anomalies

- Telecom services are subject to the state sales tax
- Telecom companies also pay a Business Personal Property Tax but don't pay Franchise Fees
- CTV's pay Franchise Fee, but are exempt from sales tax
- Direct Broadcast Services (Satellite) are exempt from sales tax/franchise fees
- Internet Access is exempt from any taxes or fees to promote e-commerce and use of Broad Band
- *Tax incentives are effective tools for promoting innovation and boot -strapping new technologies*
- *They create anomalies when they outlive the necessity and the policy does not include provisions to level the tax burden*

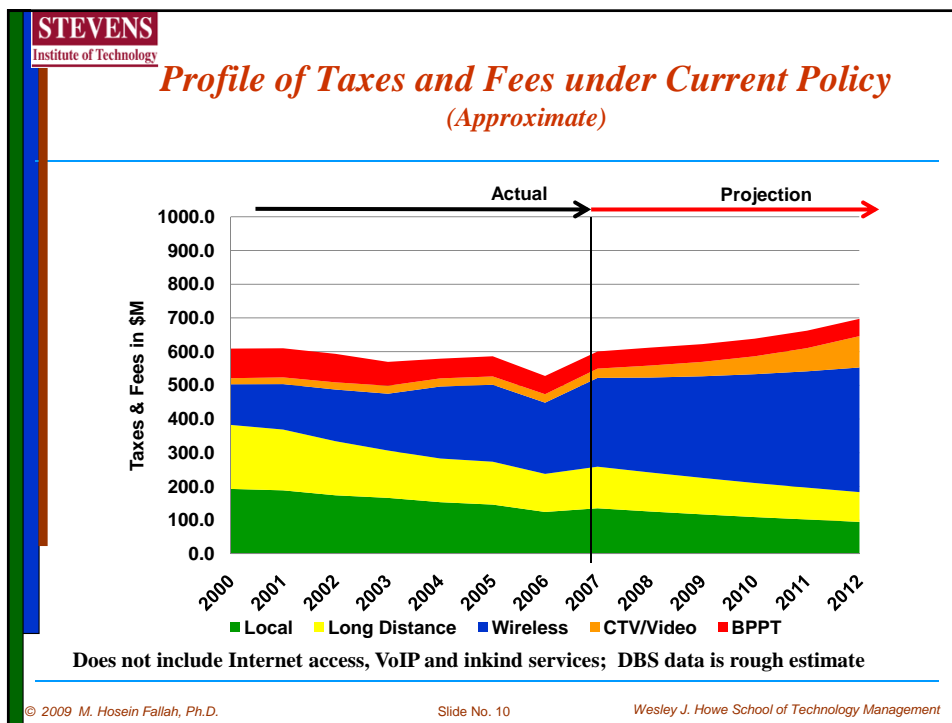
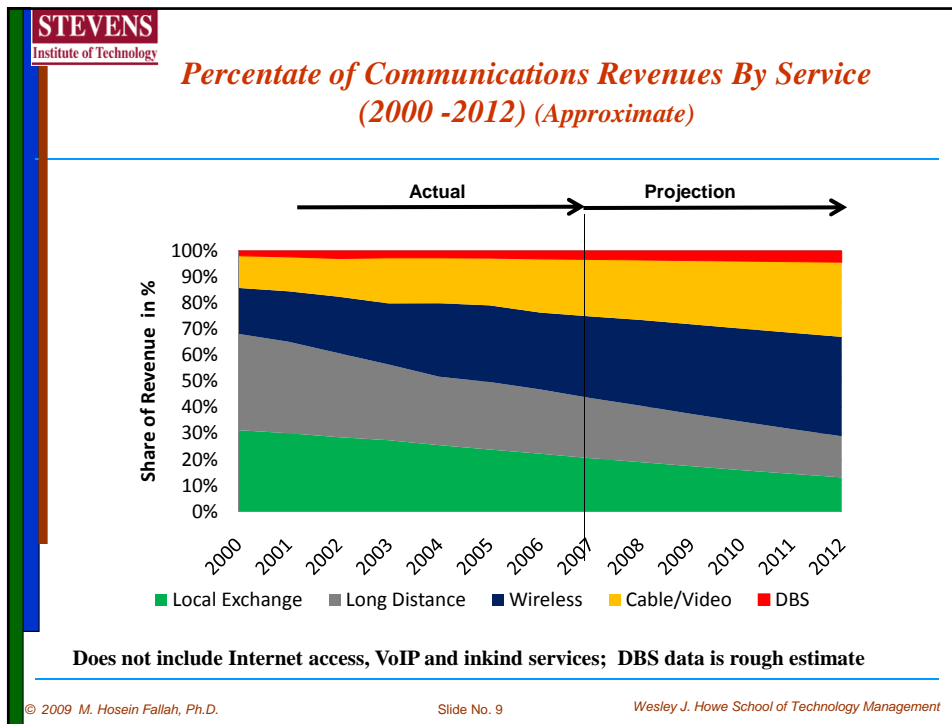
Sources of Data

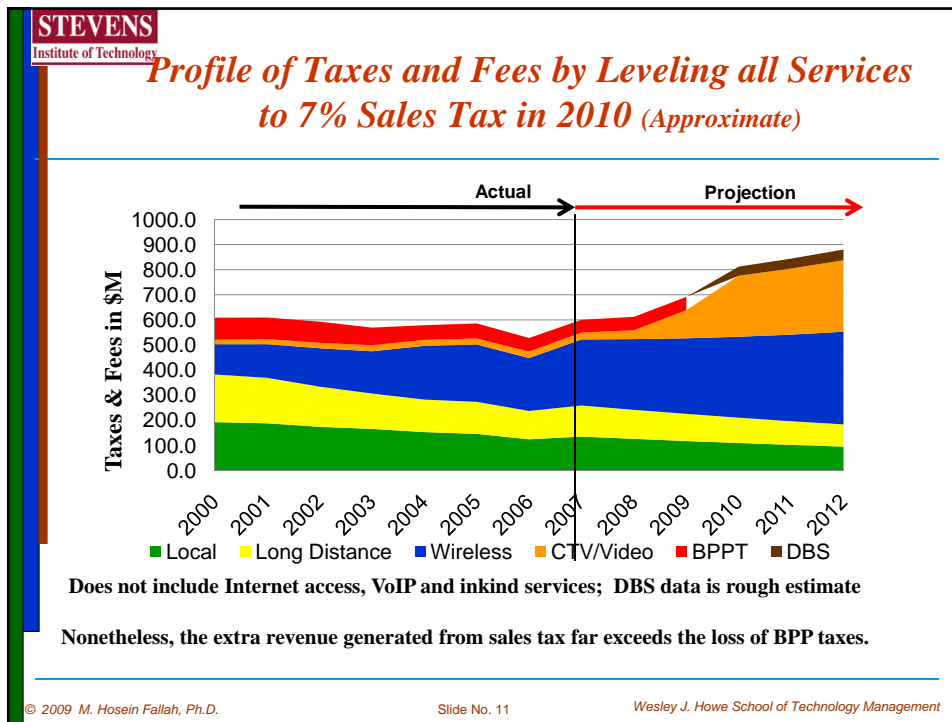
- In the following charts the profiles are derived from the following sources
- Actual Local, Long Distance and Wireless data are taken from the FCC Industry Revenues reports
- Cable/ Video data are from NJ BPU
- DBS data is a rough estimate based on GAO report
- BPP Tax data are from Verizon
- The projections for 2007 through 2012 are extrapolations from the previous 3 years.
- *It is important to note that these charts are intended to illustrate the relative contributions and the shift in revenues and taxes among various communications services. They DO NOT present an accurate accounting of the revenues and taxes*

Communications Revenues By Service (2000 -2012) (Approximate)



Does not include Internet access, VoIP and inkind services; DBS data is rough estimate





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Summary

- **Communication Technology evolution has brought many opportunities and benefits to individuals, businesses and communities in NJ**
- **There are also unintended consequences which the policy makers need to work to remedy**
- **Convergence of the technology and services necessitates a level-playing field for all service providers**

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Thanks You

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