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Don't tax Internet phone calls

Deseret Morning News editorial

Modern Americans are getting used to the fast pace of technology, a never-ending climb to newer and more enticing innovations. Sometimes, as with a climb up a mountain, it pays to stop and look down, pondering how far you've come. Many of today's innovations weren't even contemplated a generation ago, and many of yesterday's innovations are a lot cheaper today than ever, and these have contributed to higher living standards.

What a shame it would be to stifle this progress through aggressive taxation.

Much of the world today is buzzing over VOIP, which is short for "voice over internet protocol." Simply put, this technology allows users to make telephone calls anywhere in the world over the Internet. At the moment, the sound quality of VOIP is slightly lower than on a typical phone line, but it's getting better, and it is liable to open up an entirely new set of related innovations, some of which people today aren't even contemplating.

Already, some cable companies are offering packages that include high-speed Internet, television and phone service. Other companies are offering unlimited long distance service for less than \$30 a month.

At the moment, only about 2.8 million people use this technology, but that is expected to grow quickly. As reported in this newspaper this week, up to one-third of all calls could be conducted this way within five years.

Not surprisingly, this has politicians and bureaucrats squirming. If people turn from traditional phone lines to VOIP, governments could lose a combined \$10 billion a year or more in revenue.

Their concerns are not entirely without merit. Governments have long controlled land lines to make sure everyone, even people in hard-to-reach rural areas, has access to a phone. They have taxed users so that 911 emergency services are available everywhere.

They also have taxed phones just because they can.

Many phone taxes and levies aren't needed. For example, in 1898 Congress tacked a 1 percent levy on all telephone calls to finance the war with Spain. Today, that tax is 3 percent. When the cry went out to "remember the Maine," no one envisioned this was how to keep the memory alive. In Utah, cities attach franchise fees to phone bills — hidden taxes that can be used for whatever the cities desire.

Until state and federal governments can give a better accounting as to why they so heavily burden phone users, they should lay off VOIP.

Chris Cannon, the congressman from Utah's third district, understands this. He wants to hold the states back before they ruin things. Others get it, as well. And yet, a recent Senate bill that would have kept states from taxing VOIP was hijacked in committee and turned instead into a bill that specifically allows forms of taxation.

Heavy and useless taxes are to innovation what dead weight is to a climber. With new and higher vistas ahead, it would be a shame to force technology to set up a permanent camp where it is now.

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