

# Treating Like Services Alike:

Cable Tax and Regulatory  
Policy



North Carolina Cable  
Telecommunications Association



# **Randy Fraser**

Vice President, Government  
Affairs-North Carolina, Time  
Warner Cable

# Cable Investment and Innovation

- \$100 billion investment by cable industry nationwide
- Cable is leader in North Carolina:
  - Video service: 1.8 million subscribers
  - High-speed data (broadband): >600,000 broadband customers
  - Voice-over-Internet phone service: >150,000 customers

# Competitive Environment

- Minimum of 3 existing multichannel providers in nearly all markets – cable, DirecTV and DishNetwork
- Satellite 27% market share
- DirecTV and DishNetwork are 2<sup>nd</sup> and 4<sup>th</sup> largest video providers
- 10% receive free, over-the-air television

# Recent Tax Increases

- New 7% state tax on gross receipts (credit given for local franchise taxes paid)
- 7% tax on purchase of "cable"  
(old tax was 1%)



# Taxation of Cable Video Service

- 7% state tax
- 5% local franchise tax on gross receipts  
(credit given against new 7% state tax)
- 12% tax on rental of converters & remotes  
(7% state sales tax plus up to 5% local  
franchise tax)
- 7% tax on purchase of cable
- Corporate income and franchise taxes
- Local property taxes

# **Tom Adams**

President, Time Warner Cable-Raleigh  
Division

President, North Carolina Cable  
Telecommunications Association

# Current: Cable vs. Satellite Tax

Tax on Cable Subscribers	Tax on Satellite Subscribers
7% state tax (w/ up to 5% credit for local tax paid)	7% state tax
5% local franchise tax	0% local tax
<b>Total: 7%</b>	<b>Total: 7%</b>



# Satellite's Proposal

Tax on Cable Subscribers	Tax on Satellite Subscribers
7% state tax (w/ <u>no</u> credit for local tax paid)	7% state tax
5% local franchise tax	0% local tax
<b>Total: 12%</b>	<b>Total: 7%</b>

# Tax and Regulatory Policy

- Tax and regulate like services alike
- Don't discriminate against television viewers who subscribe to cable
- Don't bend or relax the rules for any particular competitor!

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