

Treating Like Services Alike:

Cable Tax and Regulatory Policy



North Carolina Cable
Telecommunications Association



Randy Fraser

Vice President, Government
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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 2nd and 4th 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
Total: 7%	Total: 7%

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
Total: 12%	Total: 7%

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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