

## **NEBRASKA TAXPAYERS FOR FREEDOM WORKSHEET:**

### **NEBRASKA CELL PHONE TAXES AND FEES.**

**BACKGROUND.** Nebraskans who pay attention to monthly cell phone bills often wonder why the total charge is so much higher than the basic and extended service charges. The answer is taxes and fees, which may equal 40% of a core charge. Below is a sample Verizon monthly cell phone bill, with explanations of all the charges. After examining this sample, take your phone bill and calculate how much money you are spending in taxes and fees to subsidize government subdivisions and special interests.

#### **ITEMIZATION OF CHARGES.**

1. Basic monthly service. \$31.00  
This amount pays for providing 700 minutes monthly service and includes calling within a local calling area (unlimited at night and on weekends), long distance, caller ID, unlimited text messages, Internet, email, camera, and media center.  
*This charge accrues to the telecommunications company.*
2. Administrative charge. \$3.30  
The provider charge for administering a monthly account.  
*This charge accrues to the telecommunications company.*
3. Regulatory charge. \$.16  
A company surcharge levied at its discretion to defray regulation costs.  
*This charge accrues to the telecommunications company.*
4. Federal Universal Service Fund Charge. \$2.92  
This fee subsidizes phone service for the poor and consumers in high-cost areas and supports access for public schools, libraries, rural health care providers, and for rural broadband service. The percentage charged set by the FCC and adjusted quarterly. Sometimes called the Al Gore Tax.  
*This charge eventually accrues to the federal government.*
5. NE Universal Service Fund. \$ 1.75  
The NE Public Service Commission sets this charge to provide funding to local phone exchanges and wireless companies to subsidize services to high-cost customers in remote areas, poor customers, and hospitals providing medical services over the statewide telehealth network.  
*This charge accrues to telecommunications companies.*
6. Telecommunications State Relay Surcharge. \$0.03  
The NE Public Service Commission sets this charge to offer a statewide network that subsidizes communication for hearing and speech-impaired customers and for them to purchase specialized phone equipment.  
*This charge accrues to the State of Nebraska.*
7. State Sales Tax. \$1.85  
This tax funds state government programs. It applies to both local and long-distance parts of a bill.  
*This charge accrues to state government.*
8. City Occupation Tax. \$1.92  
The percentage varies by city, assessed on telecommunications companies for the privilege of conducting business in a city. Phone companies pass along the charge to consumers.  
*This charge accrues to local government through the telecommunications company.*
9. Wireless 911 Surcharge. \$0.50  
This tax helps to fund local 911 emergency operations. This tax can range between 45c and 70c monthly.  
*Telecommunications companies collect this charge for the Public Service Commission to distribute.*
10. Local City Sales Tax. \$0.51  
This tax funds general city operations.

This charge accrues to local government.

**Total bill:** **\$43.94**  
**Total taxes, fees, and surcharges:** **\$12.94**

Federal, state, city, and commercial taxes and surcharges, as percentages, base not only on a percentage of your basic service charges *but also on preceding fees!* On this statement, government taxes and fees equal almost 41% of the basic service charge and comprise over 29% of the total billing.

**REGIONAL COMPARISON: monthly cell phone bill**

Region	State & Local Taxes	Rank in U.S.	Federal tax rate
Nebraska	18.67%	2	6.64%
Colorado	10.84%	23	6.64%
Iowa	8.81%	31	6.64%
Kansas	13.78%	9	6.64%
Missouri	14.79%	6	6.64%
South Dakota	13.7%	10	6.64%
Wyoming	8.18%	40	6.64%

The average monthly tax collected on cell phone plans in Nebraska is \$18.64 per phone service plan, one of the highest cell phone taxes in the country. Our average cell phone tax is ranked #2 of the 50 states. The Nebraska cell phone tax is included in the service plan price you pay to your service provider and may appear listed as "Misc. Taxes and Fees" or "Usage and Purchase Charges" on your monthly bill. <sup>1</sup>

**OMAHA TAXES.** Among monthly wireless taxes and fees in selected cities, Omaha ranks 3<sup>rd</sup> highest, at 22.17%.

**STATE TAXES.** Pertaining to monthly state and local wireless taxes, fees, and surcharges, NE in 2023 ranks 2<sup>nd</sup> highest at \$4.49 per month, or 26.31% of service. Examining monthly state and local taxes and fees and government charges, the total is 19.49% of the total bill. Looking at state Universal Service Fund wireless rates, Nebraska ranks 5<sup>th</sup> highest at 4.9%.

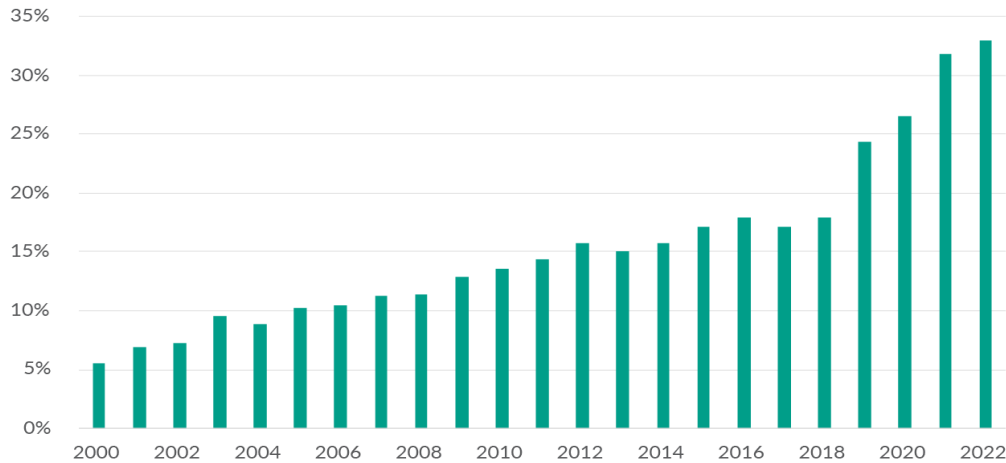
**THE REASONS.** In many states, especially Nebraska, taxes and fees on cell phones are outrageous and continue to rise. Over the past decade, wireless taxation increased at a rate 7 times faster than the rate on other taxable goods and services. Because these taxes are regressive, they target the elderly and small family businesses especially hard. Consumers now pay more than 21% in total state, local, and federal wireless taxes and fees on our cell phone bills, more than double the average sales tax rate of almost 8% paid on other goods or services.<sup>2</sup> The cell phone market is now increasingly competitive, resulting in the steady decline in the average price for basic wireless services. Since 2012, the average monthly charge from cell phone providers decreased by 24%, from \$47 per line per month to \$35.74 per line. However, during this same period, wireless taxes, fees, and government surcharges increased from 17.2% to 25.4% of the average taxable portion of wireless bills. This total includes state and local taxes averaging 13.2% and the Federal Universal Service Fund (FUSF) rate of 12.2%. State and local taxes and fees fell slightly from 2021 to 2022, but this drop offset by an FUSF rate increase from 11.8% to 12.2%. Total taxes, fees, and government surcharges on wireless service increased for the 5th straight year, driven only by another increase in the FUSF rate. The rate of the FUSF surcharge has increased dramatically since 2018, from an effective rate of 6.6% in 2018 to 12.2% in 2022. Combining that with the shift in consumer purchases from telecommunications services to internet services, the Federal Communications Commission (FCC) feels the need to increase rates in order to keep revenues constant. As a result, individuals and businesses who purchase interstate telecommunications services pay very high surcharge rates. Wireless consumers will pay about \$11.2 billion in taxes, fees, and government surcharges to state and local governments in 2023 based on the tax rates calculated in this paper. About half of this amount, \$5.5 billion, represents state and local sales and use taxes. These taxes broadly apply to taxable goods and some services and do not apply solely to wireless service. The remaining \$5.7 billion constitute taxes that apply only to cell phone and other telecommunications services.<sup>3</sup>

<sup>1</sup> 2022 Tax Rates org. <http://www.tax-rates.org/nebraska/excise-tax#CellphoneTax>.

<sup>2</sup> Act Wireless, 2023 report.

<sup>3</sup> Tax Foundation, Scott Mackey & Adam Hoffer, Excise Taxes and Fees on Wireless Services Increase Again in 2022, Dec. 20, 2022.

## Federal Universal Contribution Fund Rates, 2000-2022



Source: Federal Communications Commission, "Contribution Factor & Quarterly Filings - Universal Service Fund (USF) Management Support." Rates are from July 1 of each year.

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Despite the growing burden on cell phone customers, Congress has shown little interest in restricting or otherwise limiting the growth of programs funded through this tax.

**TAKE ACTION.** Higher taxes on cell phone service, together with increased taxes on wireless investments, will lead to slower deployment of wireless network infrastructure, including fifth generation (5G) wireless broadband technologies, a key element to the future of distributing these technologies to rural NE and thereby improving quality of life for its residents and spurring commercial growth. Special interest groups increasingly lobby federal, state, and local public officials and the NE Public Service Commission to add or increase a tax or fee to subsidize a particular constituency. Such levies will continue to increasingly burden our telecommunications bills, until greater numbers of taxpayers pay closer attention to their billings and mobilize for tax and fee abatement. No municipality should have state permission to impose a tax or fee related to wireless and prepaid wireless services unless the tax approved by the voters within that municipality at a primary or general election. Contact NTF at [netaxpayers@gmail.com](mailto:netaxpayers@gmail.com) for lobbying packets and urge your NE Public Service Commissioner and state and federal elected officials to not only stop adding taxes and fees to our telecommunications bills but also to lower and end existing ones! For your benefit, before signing up for a plan, carefully read all the terms and ask questions for clarification. Once you understand your plan and the surcharges, you can research other plans and consider switching cell phone plans.

Research, documentation, and analysis for this worksheet done by **Nebraska Taxpayers for Freedom**. This material copyrighted by Nebraska Taxpayers for Freedom, with express prior permission granted for its use by other groups in the *Tax Freedom Network*. 10-23. C



District	Members	Phone	Email addresses	Re-election dates
District 1	Dan Watermeier	800-526-0017	<a href="mailto:Dan.watermeier@nebraska.gov">Dan.watermeier@nebraska.gov</a>	2024
District 2	Christian Mirch	800-526-0017	<a href="mailto:Christian.mirch@nebraska.gov">Christian.mirch@nebraska.gov</a>	2026
District 3	Tim Schram	800-526-0017	<a href="mailto:Tim.schram@nebraska.gov">Tim.schram@nebraska.gov</a>	2024
District 4	Eric Kamler	800-526-0017	<a href="mailto:Eric.kamler@nebraska.gov">Eric.kamler@nebraska.gov</a>	2028
District 5	Kevin Stocker	800-526-0017	<a href="mailto:Kevin.Stocker@nebraska.gov">Kevin.Stocker@nebraska.gov</a>	2028