CHAPTER 8. TELEPHONE EXCHANGE ACCESS (911) TAX

The Oregon telephone exchange access (911) tax is imposed on each retail subscriber who has telecommunication services with access to the 911 emergency reporting system. The tax is applied to each circuit. For cellular, wireless, or other radio common carrier, the tax is applied per instrument.

The tax was enacted in 1981 to help local governments pay for establishing, operating, or improving a 911 system. Originally, the tax was 3 percent of the monthly rate charged for basic exchange access services. In 1991, that rate was increased to 5 percent. Since October 1, 1995 the rate has been 75 cents per line per month and applies to all forms of wired and wireless telecommunications services. The tax is paid quarterly by the telecommunication utilities and service providers, who collect the tax from phone subscribers on their monthly billings. Under current law the tax will sunset at the end of 2007.

Receipts are forecast to be $73.4 million for the 2005–07 biennium and $28.8 million for the 2007–09 biennium. Net revenue from the tax is distributed to cities and counties on a per capita basis, to be used for their 911 systems.

8.001 STATE AND LOCAL SUBSCRIBERS

Oregon Statute: 401.794
Sunset Date: None (The telephone access tax sunsets 12-31-07.)
Year Enacted: 1981

	Total
2005–07 Revenue Impact:	$3,100,000
2007–09 Revenue Impact:	$800,000

DESCRIPTION: State and local governments are exempt from the telephone access (911) tax. This includes regional housing authorities.

When the tax sunsets, this expenditure will have no effect.

PURPOSE: To avoid the administrative costs of taxing government to fund government services.

WHO BENEFITS: State and local governments.

EVALUATION: Typically, governments are exempt from taxation because, it is argued, such taxation simply represents a transfer of resources between governments. This argument ignores the role taxes play as prices for services provided by the public sector. The failure to tax governments for services they receive can introduce inefficiencies in the economy. In the case of 911 services, these inefficiencies are likely to be small. *[Evaluated by the Department of Revenue.]*

8.002 FEDERAL SUBSCRIBERS

Oregon Statutes: 401.794
Sunset Date: None (The telephone access tax sunsets 12-31-07.)
Year Enacted: 1981

	Total
2005–07 Revenue Impact:	$100,000
2007–09 Revenue Impact:	Less than $50,000

DESCRIPTION: The federal government is exempt from the telephone access (911) tax. This includes foreign government offices that are exempt from taxation by treaty provisions with the federal government, as well as certain federally chartered corporations specifically exempt from state income taxes by federal statute.

PURPOSE: To comply with federal law.

WHO BENEFITS: The federal government as well as foreign government offices and exempt federally chartered corporations. There are about 30,000 federal employees in Oregon.

EVALUATION: This expenditure achieves its purpose of compliance with federal law. *[Evaluated by the Department of Revenue.]*

8.003 INDIAN RESERVATION SUBSCRIBERS

Oregon Statutes: 401.794
Sunset Date: None (The telephone access tax sunsets 12-31-07.)
Year Enacted: 1981

	Total
2005–07 Revenue Impact:	$100,000
2007–09 Revenue Impact:	Less than $50,000

DESCRIPTION: Tribal members on federally recognized reservations are exempt from the telephone access (911) tax. They must be enrolled members of the tribe located on the reservation.

PURPOSE: To comply with federal law.

WHO BENEFITS: Tribal members on reservations using telephones with access to 911 service.

EVALUATION: This expenditure achieves its purpose of compliance with federal law. *[Evaluated by the Department of Revenue.]*