

AMERICANS *for* TAX REFORM

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January 25, 2024

Chair Bromley
Vice Chair Keathley Utilities Committee
State Capitol
201 W. Capitol Ave Jefferson City, MO 65101

Chair Bromley and Vice Chair Keathley:

On behalf of the taxpayers and consumers of Missouri, I urge you to support H.B. 2057 to protect Missourians against tax increases and price hikes for video streaming.

Municipal franchise fees are meant to reimburse local governments for costs associated with building on public rights-of-way. Historically, cable companies have paid these fees to compensate municipalities for temporarily digging up public streets and sidewalks to lay cable lines that physically connected to homes. They were never intended as a plenary tax power.

Because video streaming services do not require additional physical infrastructure to reach homes, they do not create any new costs for municipalities. Their content is accessed over the internet through channels as diverse as satellite, wireless service, and existing cable lines. Imposing franchise fees in spite of this would be little more than new taxes on streaming services. The legislature should bear in mind that once levied, these fees will most likely be passed on to consumers, raising the price for Netflix in the Show Me State but not her neighbors.

Moreover, there are a number of technical roadblocks that would make imposing a location-based tax on internet content impracticable, including the fact that these services can be accessed from multiple devices in multiple locations. How would the municipality determine where the taxable event actually occurred?

H.B. 2057 would not inhibit how municipalities have always operated with regard to franchise fees, merely clarifying that they can only apply to providers who make physical improvements to public rights-of-way.

To protect Missouri taxpayers and consumers, I urge the legislature to clarify that this law was never intended to create a catch-all tax for every service that a Missouri resident views over the internet.

Onward,



Grover Norquist
President
Americans for Tax Reform