

**AMERICANS  
for TAX REFORM**

November 9, 2011

COUNCIL FOR



U.S. Congress  
Joint Select Committee on Deficit Reduction  
Washington, D.C. 20515

RE: Spectrum and Deficit Reduction

Dear Members of the Joint Select Committee,

We are writing to address spectrum policy as it pertains to recommendations for deficit reduction. While we support establishing voluntary incentive auctions for spectrum, we are vehemently opposed to the proposed spectrum tax outlined in Section 278 of the President's American Jobs Act.

The spectrum tax, one of 14 proposed tax hikes in the American Jobs Act, would give the Federal Communications Commission the authority to raise a minimum of \$4.8 billion over the course of 10 years. Targeted at holders of licensed spectrum, the tax will inevitably hit consumers using mobile phones, tablets, and other wireless services.

The proposed spectrum tax would stifle innovation. The wireless industry is face-to-face with a looming spectrum crunch. Making spectrum licenses more expensive will certainly not help bring more spectrum to the market. Instead, a new tax on spectrum will dig into the investment pot for research and development, slowing the pace of innovation. The outcome would also be detrimental to consumers, who could face higher prices or see delayed service improvements and high-speed broadband build-out.

While a spectrum tax should be off the table, voluntary incentive auctions can and should be included in the recommendations the Committee puts forth. A well-structured spectrum auction can raise as much as \$25 billion according to a Congressional Budget Office estimate. In order to maximize this revenue and ensure efficient spectrum usage, the measure should restrain the FCC from imposing licensing conditions or restrictions. We also urge the Committee to review ways to auction valuable spectrum held inefficiently by federal agencies, such as a recent proposal by Sen. Mark Kirk.

Spectrum has a place in the recommendations the Joint Select Committee puts forth to reduce the deficit. Voluntary incentive auction authority – and not a new spectrum tax – can both reduce the deficit and free up spectrum to foster continued innovation, benefit consumers, and address a looming spectrum crunch.



The American Consumer Institute  
Center for Citizen Research

AMERICAN LEGISLATIVE EXCHANGE COUNCIL  
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Sincerely,

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