

**Testimony of Robert Gessner
President, MCTV**

**Before the
House Finance Committee**

**In Opposition to the New Sales Tax on
Cable Television Service (HB 64)**

March 26, 2015

Chairman and members of the Committee, thank you for this opportunity. My name is Robert Gessner. I am President of MCTV, a 50-year old, family-owned provider of Internet, TV, Phone and Home Security services to 45,000 residential and commercial customers in western Stark and central Wayne counties. I am here today in opposition to the imposition of a state sales tax on cable services as proposed in House Bill 64.

MCTV, originally known as Massillon Cable TV, was founded by my parents, Richard and Susan Gessner, in 1965 and continues now as a third generation enterprise. MCTV's ties to the communities we serve are strong and deep. My family has resided in the Stark/Wayne area since the 1840's, employing others through family businesses in all those 175 years. Our company employs over 160 local residents, many with more than 25 years of service. None of our functions are outsourced; all our workers are truly local. Full-time employees receive excellent health and retirement benefits, and we offer a unique college tuition reimbursement program for employees' children. MCTV sponsors many local events, provides programs of local interest, and supports our communities through numerous and varied donations of cash, in-

kind company services, and employee time. Our charitable cash and in-kind contributions to community organizations in 2014 exceeded \$175,000.

Since its founding, my family's company has continually strived to offer our customers the highest level of service and the most advanced telecommunications technology. In just the past decade alone, MCTV has invested almost \$70 million dollars in embedded infrastructure. We provide dedicated "dark" fiber optic interconnections among local school buildings and government offices, and offer dedicated fiber connections to businesses. Across our service area, MCTV offers High-Speed Internet, All Digital Cable TV, the first competitive wireline phone service in more than 100 years and modern electronic security services. Through a combination of fiber-to-the-home (FTTH) and hybrid-fiber coax (HFC) plant extensions, all homes in the MCTV service area – including many in rural and Amish areas – have access to the same services at the same prices. For many, MCTV represents the first time these homes have had access to any form of high-speed Internet, advanced TV services, or traditional phone options.

In providing these services as a local wireline operator, MCTV also contributes to the larger Ohio economy. We pay more than \$2 million annually in taxes and fees to state and local governments. Our business is subject to a myriad of fees, including but not limited to municipal income tax, CAT, real property tax and sales tax.

Of vital importance to this hearing, MCTV also collects and remits directly to municipalities and townships a Video Service Provider fee that is unique to the cable industry and our wireline competitors. The Video Service Provider fee is a sales tax on TV services and equipment, including local advertising. This tax is levied by the local cities, towns and townships

and we are required to collect and remit it. Additionally, our customers pay a state sales tax and the local “piggyback” tax on cable equipment rentals, such as set-top boxes, modems and remotes. And in addition to our customers’ state tax burden, they also pay a regulatory fee that is remitted to the Federal Communications Commission. That’s just on the TV side of the business. We collect and remit taxes and fees for state and federal governments for our phone business as well. And, the recent imposition of Title II regulation on Internet service means consumers may soon face an additional burden of federal taxes there too.

It is because of the existing Video Service Provider tax, already imposed on our company and our customers, that I testify in opposition to House Bill 64. I don’t object to paying a fair and equal share, but I protest being forced to bear twice the burden. Imposing a state sales tax on cable service, as outlined in the bill, would more than double our customers’ tax burden, saddling my TV consumers with a tax approaching 12%. That is just too much and is inequitable among the companies competing for TV entertainment customers.

The Video Service Provider fee is a burden that our out-of-state satellite competitors, DirecTV and Dish, do not share, making the double taxation of Ohio’s cable TV providers even more unfair. Since federal law preempts local authorities from levying any tax or fee on DBS, DBS does not pay the equivalent of the Video Service Provider fee; nor does it pay local piggyback sales taxes. Imposing a sales tax on cable TV services will give DBS an unfair advantage – even though the video services satellite offers are virtually identical to those offered by companies like MCTV.

We also face growing competition from over-the-top providers. These are subscription services like Netflix, iTunes, Hulu Plus, Amazon and recently announced services from HBO, Viacom, CBS and Sling TV. Media giants like Apple, Sony and Google also have expressed their intentions to enter the “over-the-top” (OTT) subscription market. These OTT services are not currently subject to any federal

taxes or fees, though they are now subject to Ohio's sales/use tax as "digital goods". Double taxation created by including cable services as proposed in HB 64 will keep cable at a competitive disadvantage against these competitors.

Imposing a state sales tax on cable TV services is a losing proposition. Cable customer will lose, as they will be subject to double the taxes. Local governments, like those in my service areas, will lose revenue when those customers opt to purchase video services from other services like DBS that are not subject to the VSP fee.

Inclusion of Cable TV services in HB 64 will diminish my ability to compete with out-of-state providers like DirecTV and Dish or Internet-based OTT providers because I will bear a greater tax burden. To the extent that we lose customers, and we will, we will also lose the ability to contribute to the strength of our local economies and to Ohio. The local residents we employ, the communities and businesses we and our employees support, the infrastructure we are continually upgrading, all stand to lose. I know that this is not the intention of House Bill 64, but it is quite likely the result, and it is why I oppose the sales tax on cable TV services. I thank you for your time.