

CableViews

Ohio Cable Telecommunications Association

Issue 1 2017

New Cable Tax Would Be Double Taxation



*Jonathon McGee,
OCTA Executive Director*

Another state budget season is upon us. And, unfortunately, so is another proposal for a new sales tax on cable TV subscribers.

Make no mistake: this proposal, included in the administration's budget plan (House Bill 49), represents double taxation on customers already paying taxes on their monthly bill.

This tax would apply to all "wireline" TV subscribers – more commonly referred to as cable TV subscribers. Wireline includes video service by traditional cable companies, such as OCTA members Charter Communications and Comcast. But it also includes video service provided by Cincinnati Bell as well as local telephone companies serving many of Ohio's rural communities.

To address any misconceptions regarding this issue, it's helpful to remind ourselves of how current Ohio law taxes different video service providers. Also important is to examine how a new tax on cable TV would upend the level playing field that currently exists under Ohio law with respect to wireline and satellite TV providers and its impact on the 2.5 million wireline video subscribers in the state.

Cable TV customers already pay a tax on their service at the local level, known under Ohio law as the video service provider fee. This tax is authorized under Ohio law which allows municipalities and townships to set the rate of the fee at up to 5 percent of the TV portion of the bill; with other local add-ons, the effective rate of this tax can even exceed 5 percent. This rate is set by local ordinance at the discretion of the local legislative body. Direct Broadcast Satellite (DBS) service (such as DISH and DirecTV) is not subject to this tax, or any local taxes, as that is prohibited by federal law.

The Ohio General Assembly has long recognized that taxing cable TV service at both the local and state level, when satellite service can only be taxed at the state level, would be inequitable. In 2003, when the legislature adopted the state sales tax on DBS service, that action served to level the tax burden between cable and satellite customers.

Imposing a new sales tax on cable services would effectively result in double taxation of wireline TV customers. Adding a state sales tax, which H.B. 49 proposes increasing to 6.25 percent, plus any applicable county "piggyback" tax (which could be up to an additional 3 percent, depending on the county), could result in a possible 14.25 percent tax rate on cable service.

The following chart illustrates the disparity the new sales tax on cable proposed in the introduced version of H.B. 49 would create between cable and DBS:

	Cable Television Services	DBS Services
Sales Tax	6.25 percent	6.25 percent
Piggyback Sales Tax	Up to 3 percent	N/A-Prohibited by federal law
Local VSP Tax	Up to 5+ percent	N/A-Prohibited by federal law
TOTAL	Up to 14.25+ percent	6.25 percent

As you can see, the practical effect of taxing cable TV service twice would be to more than double the tax burden these customers currently carry. It should be noted as well that cable customers would bear the brunt of the proposed new sales taxes contained in H.B. 49, with approximately two-thirds of the projected revenue coming from cable subscribers.

The Ohio House and Ohio Senate in their wisdom have rejected proposals to double tax cable in each of the last two state budgets. The OCTA is working with the legislature again to protect our customers from this adverse policy.



He's an eighth generation farmer and one of the legislature's key leaders. In this issue of CableViews, we sit down with Sen. Bob Peterson, R-Washington Court House, to talk about public service, policymaking and agriculture. Please see Face to Face on Page 2.

Face to Face

with Senator Bob Peterson

A farmer, business owner and former county official, Sen. Bob Peterson has a long record of leadership and community service.

A farmer by trade, Peterson is the eighth generation of his family involved with agriculture. Through the years, he has been active in 4-H, Future Farmers of America and the Ohio Farm Bureau. He held a variety of leadership positions with the Ohio Farm Bureau, including nearly five years as president of the organization.

Today, Peterson serves as the second-ranking Republican in the Ohio Senate and represents the 17th District, which encompasses Clinton, Fayette, Gallia, Highland, Jackson, Pike and Ross counties as well as portions of Lawrence, Pickaway and Vinton counties.

Prior to his service in the legislature, he served as a Fayette County commissioner.

Peterson received his bachelor's degree from The Ohio State University and is also a graduate of its LEAD Program, an intense two-year agriculture leadership program that features extensive experience in economics, environmental issues and state and national political processes.

Senator Peterson and his wife Lisa, whom he met during the Fayette County Fair while she was the local 4-H extension agent, are the proud parents of Sarah, Hannah and Todd. The family lives on their farm in Fayette County. They are active in church, 4-H, FFA and other community activities.

Fast Facts:

- Favorite musical act:** My daughters Sarah and Hannah
Favorite song: Whatever my daughters are singing.
Favorite movies: Action movies like "Indiana Jones" and "National Treasure"
Favorite meal: Steak and a baked potato
Three things you can't live without:
My family, my faith and Mountain Dew
Memorable mentor (and why):
My parents are strong, steady, quality individuals. They lived their life with faith and commitment and started a farm and family with practically nothing. With hard work and good decisions they have been successful.



Jonathon McGee: Let's talk about a topic near and dear to your heart, that being agriculture. Tell us about the Peterson family farm.

Bob Peterson: I farm with my father and my brother. We are a typical Midwest farm raising corn and soybeans. We used to raise a lot of livestock. Unlike most people, I've lived my entire life in three houses within five miles of each other—all on the farm.

JM: No animals now?

BP: Not right now. Just a brown dog named Roxy.

JM: I understand you're the eighth generation in your family to farm. I'd love to hear some of the history there, how that began.

BP: My brother and I are the eighth generation of Petersons to farm in America. My Peterson ancestors came over in the mid-1700s from Switzerland. Farming might be kind of a stretch for the first few generations as they were really just trying to survive in this wilderness that was the country at the time. So, they wandered around Virginia for three or four generations. Ultimately, they settled in Ohio and this

great state has been my family's home since the early 1800's. My parents moved to Fayette County in 1958.

JM: What drew you to agriculture as a profession?

BP: It's really the only thing that I know. It sort of gets in your blood. If you have the opportunity to farm and like to work hard, there's nothing better. You get to work for yourself. In agriculture, we produce crops and livestock. We get to watch them grow and care for them. I feed the world and that's pretty inspiring.

JM: How has the ag industry evolved during your time in farming?

BP: There has been dramatic change, but probably not as much as my father experienced. He started at age 10 or 11 walking a plow being pulled by a horse and now he will climb on a large piece of equipment, larger than this room, which will drive itself across the field. That's just dramatic change. In my time we have doubled yields using technology, so it's just amazing.

JM: What's the most unusual crop or animal you have raised or would like to try raising on your farm?

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BP: We are a very typical Midwest farm. The most unique aspect of our farm is probably that all of the soybeans and wheat we produce are for seed—meaning our crops are raised for Seed Consultants, an Ohio company that sells our production to other farmers for seed. The other unique thing is, at times, up to 10 percent of our acreage has been used as research plots. We are blessed to farm some of the most productive soil in the world and that's a great place to do research, comparing different seed types, measuring yields and trying to determine which is the best variety to use going forward.

JM: All grains, or one particular grain?

BP: Both corn and soybean test plots.

JM: Will there be a ninth generation of Petersons involved in agriculture?

BP: I hope so. It's up to them. I think my son has interest and is attending Ohio State next year to study agriculture. There's plenty of opportunity for the girls if they want to farm as well. My brother also has a son and a daughter. I think there will be a ninth generation.

JM: Are your children active in 4-H or Future Farmers of America?

BP: They have lived their lives in 4-H and FFA. My wife and I are 4-H advisors. My wife, Lisa, actually got a job in Fayette County as the 4-H Extension Agent after graduating from OSU. Lisa and I met at the Fayette County Fair, so I owe a lot to 4-H and FFA.

JM: So, you belonged to 4-H and FFA, yourself?

BP: Yes.

JM: Years ago, as if there's not enough work involved in farming, you ran for county commissioner in Fayette County. What prompted you to get involved in public service?

BP: I believed our county could do better than it was doing. I saw an opportunity for the county to grow and be more efficient. I ran because I thought I could make a difference. Serving the public as a county commissioner was a great honor and it was exciting that I had an opportunity to do that.

JM: In 2010, after 14 years as a county commissioner, you were elected to the Ohio House. Why did you decide to run for the legislature?

BP: If you think about where Ohio was in 2008 and 2009—going through the recession—Ohio was struggling and losing jobs. I felt with my background on the farm and experience as president of Ohio Farm Bureau, I knew what sort of policies we could put in place to rebuild Ohio. I ran to bring jobs back to the state of Ohio and, more specifically, my district. That has been my focus the whole time I have

been here and will probably be my focus the entire time I'm in the legislature.

JM: How did that background in local government prepare you for your work in the legislature?

BP: It was a great training ground. These are service positions. You get to set policies and you get to do things to move Ohio or the county forward, but in general, it's about serving your constituents and I learned how to do that very well at the county level.

JM: Tell us about some of the policy initiatives you would like to work on during this General Assembly and what your thoughts are on those.

BP: I have consistently been about trying to find ways to grow jobs. From my perspective, it's initiatives like lowering taxes and making sure that regulations aren't holding back growth. Lately, we have been working on unemployment compensation and other issues to make sure that this is the best place possible for employees to work and for people to grow their business.

JM: Last year, you were co-chairman of the Ohio 2020 Tax Policy Study Commission. How did that work complement the work you and your colleagues will be doing this year?

BP: It was a great honor to chair the commission with Rep. Schaffer. I think it will help us have a better base of knowledge. That was the goal, to develop a good background and to put out some accurate study reports, so that we would have a better level of knowledge going into the budget cycle.

JM: When you're looking at proposed changes to Ohio's tax system, what's your rubric, so to speak? How do you evaluate those?

BP: I'm always looking for things that allow small business to grow and large business to grow. So, I'm looking for things that impact Ohio's ability to add more employment, to be more business friendly, and to find ways to grow jobs here in Ohio.

JM: Obviously the state budget hasn't even arrived in the Senate yet, but what are your thoughts at this time on the tax-related proposals the administration has advanced?

BP: I appreciate the governor's thoughts on tax cuts and I'm very excited about some of the regulatory reform in the budget. I think there are some challenges in how the tax cuts are paid for. Ultimately, we will try to find the right balance that allows Ohio to get the best possible job growth.

JM: If you weren't a farmer and a legislator, what would you do for a living?

BP: Anyone that grew up in the 1970s in Southern Ohio in the midst of the Big Red Machine, like I did, loves baseball.

Capital Update

Legislative Update

Ohio Budget Update: The Ohio House of Representatives is continuing its deliberations on the proposed two-year state budget, House Bill 49. As has been the case in recent years, the governor's budget plan includes a proposed sales tax on cable television (see Page 1 for details).

This amounts to double taxation given that the sales taxes will be added on top of franchise fees that are already charged, putting the cable industry at a competitive disadvantage and resulting in consumers paying as much as 8 percent more on their monthly cable bill and more than double in taxes than paid by satellite subscribers.

Hearings began Feb. 1 in the House Finance Committee and, subsequently, in one of six subcommittees focusing on issues ranging from education to taxation.

Ohio Cable Telecommunications Association Executive Director Jonathon McGee testified before the House Ways and Means Committee in opposition to the tax plan on March 22.

Details of the legislation, including the bill text, can be found here: <http://bit.ly/OhioHB49-132ndGA>

We expect a vote on the budget bill in the Ohio House around the first of May, and then a Senate vote in early June before the budget heads to a conference committee to iron out differences between the two legislative chambers. The new two-year budget must be in place by June 30. Make sure to like our Facebook page – www.Facebook.com/StopTheCableTax – and stay tuned to the latest developments as the budget deliberations continue.

Johnson Resigns: Rep. Greta Johnson, D-Akron, announced on March 2 she will step down at the end of March to accept a position in the office of Summit County Executive Ilene Shapiro. Johnson will be working as deputy director in the Department of Law. House Democrats will name a replacement to serve the remainder of Johnson's term, which runs through December 2018.

PUCO Update

Vacancies on PUCO: The governor has filled two vacancies on the Public Utilities Commission of Ohio, naming Lawrence Friedeman and Daniel Conway to the panel.

Friedeman was most recently vice president of regulatory affairs and compliance for IGS Energy and former vice president of regulatory affairs for Vectren Retail LLC. He was named to the seat briefly held by Howard Petricoff. The term for the seat extends through April 10, 2020.

Conway is a partner at Porter, Wright, Morris & Arthur, specializing in energy and telecommunications. He fills the seat that had been held by Commissioner Lynn Slaby, whose term expires on April 10. Conway's term will extend through April 10, 2020.



Lawrence Friedeman



Daniel Conway

The filling of the two seats gives the PUCO its full complement of five commissioners. Full terms run for five years, with one seat becoming open each year. Appointments are made by the governor and are subject to approval by the Ohio Senate.

Retail Rules: On Nov. 30, the PUCO issued an entry adopting revised retail rules. The OCTA reviewed the proposed rules and took issue with several of them. As such, on Dec. 30, the OCTA filed an Application for Rehearing seeking the PUCO to revisit the rules. Also filing Rehearing Applications were AT&T, Ohio Telecom Association (OTA), and a group of consumer advocates. On Jan. 9, the OCTA filed a response to the rehearing request filed by the consumer groups. At its meeting on Jan. 25, the PUCO granted itself more time to consider the rehearing requests. There is no set timeframe in which the PUCO must act on the rehearing requests.

The amended rules and all filings in this docket may be review here: <http://bit.ly/PUCO14-1554-TP-ORD>.

Carrier-to-Carrier Rules: Under Ohio law, all administrative rules must be reviewed by the promulgating agency every five years to determine whether to continue the rules without change, to amend the rules, or to rescind the rules. On Jan. 18, the PUCO issued staff proposed changes to the rules for comment. Initial Comments were filed by the OCTA, The Midwest Association of Competitive Communications, Inc. (MACC) and the Ohio Consumers' Counsel on Feb. 10. After reviewing the other filings, the OCTA elected not to file reply comments. Reply Comments were due on Feb. 24.

The PUCO has taken the comments under advisement and will issue an order in the near future. The rules must be re-adopted or changed by November.

The rules may be found here: <http://bit.ly/PUCO16-2066-TP-ORD>

CableViews is online at
www.OCTA.org

Unfortunately, I don't have the skill set but I would love to play baseball for the Cincinnati Reds. While I didn't have the ability to play baseball, I was good at math and my other heroes were John Glenn and Neil Armstrong, so I might have headed towards a path of engineering and aerospace if not for the farm. Frankly, the farm is, always was, and always will be, where I want to be.

JM: Are there any similarities or parallels between farming and legislating?

BP: Yes, there are seasons in both the legislature and farming. In the spring and the fall on the farm when we are planting and harvesting, anytime I'm not working and the weather is right, I should probably be working both day and night. It's the same way in the legislature. There are times as we are working on the budget, when it's so busy that any time you're sleeping, you probably should be working. This is also true at campaign time, when you're on the ballot and you're getting near the election, you should always be

working. You have seasons in the legislature just like you have seasons in farming.

JM: What hobbies or interests do you enjoy in your spare time?

BP: Well, for the last 20 years, my life has revolved around our kids' activities, such as sporting events, musicals, school events, and everything that they are doing. As Lisa and I are watching our last one head off to college next year, it's going to be fun to find some things for us to do together.

JM: Finally, do you have any advice for the cable industry?

BP: My advice for the cable industry is the same as it would be for any industry or business: the world is constantly changing and your industry and my industry need to find ways to fit into that new world. There are not many telegraph businesses still in operation, so we have to find ways to adapt, grow, and provide value to our customers.

Rosen Shares Insights At OCTA Luncheon



James Rosen, chief Washington correspondent for Fox News and acclaimed author, at the 2017 Ohio Cable Telecommunications Association's 22nd Annual Legislative Luncheon.

President Donald Trump is a man who makes his own rules and whose election was a rebuke to the nation's political class, according to James Rosen, chief Washington correspondent for Fox News and acclaimed author.

Rosen was the featured speaker at the Ohio Cable Telecommunications Association's 22nd Annual

Legislative Luncheon, held March 1 in Columbus.

The address was especially timely as it came a day after Trump's State of the Union address.

Rosen, who was editor of the best-selling book "A Torch Kept Lit: Great Lives of the Twentieth Century," a collection of eulogies by the late William F. Buckley, Jr., also shared stories about the conservative icon.

Buckley, Rosen said, had a genius for nurturing "trans-ideological friendships" that bridged the ideological divide.

"There's probably nothing we need more of to make our political system work and actually produce results for the American people, as opposed simply to attack ads and primary challenges, than trans-ideological friendships," Rosen said.

The Ohio Cable Telecommunications Association extends a special thanks to the sponsors who helped make the event possible:

Luncheon Sponsor: Charter Communications.

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Ohio Cable★PAC Ohio Cable Political Action Committee

Company Participation

(January 1 – March 1, 2017)

Company	Amount Raised	Goal
Armstrong Cable	\$0	\$2,496
Buckeye Broadband	\$230	\$10,972
Comcast	\$0	\$1,430
Cox Communications	\$0	\$1,500
G.L.W. Broadband	\$0	\$400
MCTV	\$0	\$2,750
Suddenlink	\$0	\$1,400
Total	\$230	\$22,516

Individual Contributions

(January 1 – March 1, 2017)

Buckeye Broadband

Jeff Abbas	Sarah Riedeman
Mike Bilik	Charles Riley
Laurie Cichy	Nicholas Vitou
Pamela Koontz	James Wolsiffer
Jessica Pitzen	



Cable Calendar

SCTE Chapter Leadership Conference

www.scte.org

When: April 5-6

Where: Embassy Suites
Denver, CO

ALEC Spring Task Force Summit

www.alec.org

When: May 5

Where: The Westin
Charlotte, NC

OCTA Legislative Reception & Technology Demo

www.octa.org

When: May 23

Where: Vern Riffe Center, 3rd Floor,
Capitol Theater Lobby
Columbus, OH

OCTA Golf Outing

www.octa.org

When: June 12

Where: Pinnacle Golf Club
Grove City, OH

SCTE Penn-Ohio Chapter Golf

www.scte.org

When: July 19

Where: Conley Resort
Butler, PA

ALEC Annual Meeting

www.alec.org

When: July 19-21

Where: Hyatt Regency Denver
Denver, CO

NCSL Legislative Summit

www.ncsl.org

When: August 6-9

Where: Boston Convention Center
Boston, MA

WICT Leadership Conference

www.wict.org

When: September 25-26

Where: New York Marriott Marquis
New York, NY

ALEC State & Nation Policy Summit

www.alec.org

When: December 6-8

Where: Omni Nashville
Nashville, TN

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