

transaction between two telephone companies. It is not a transaction between a consumer and a telephone company. I have passed out for your information two example sheets of how this tax would work, the one sheet which has Two-way at the top deals with a two interstate transaction or an interstate transaction with a 7 minute long...I am sorry, intrastate transaction, 7 minute long distance call, and if you will just go through that quickly, the current tax is 15 cents with no sales tax on the access charge which is up at the top or the first line of the example. With the access tax, you will see that there is a 4 percent sales tax on the local exchange access charge which would increase the cost of the call from \$3.15 to \$3.24, and that amounts to a 60 percent increase in the cost of the call. Example 3(a) is another way of looking at, again, a 7 minute long distance call and it shows, if you go through the transaction amounts, the current tax situation and then the tax with...with the tax on the access charge, you will see that there is a tax increase of 2 cents. So, in effect, what has happened since the Department of Revenue has looked at this is some audits have been done. The anticipated cost to the industry and then to the consumer for back taxes would be approximately 35 to 40 million dollars of back payments due. The cost in the future would be in the neighborhood of \$14 million per year. The reason why I was so interested in this piece of legislation was that I looked at the statutes that dealt with sales tax and with public utilities, and at best the statutes are extremely murky. I can find no justification in the statutes for a sales tax to be imposed on this particular charge and, quite frankly, feel that if such a tax is going to be imposed, that it ought to be imposed by the Legislature and not by the Department of Revenue. Again, it appears to me that what we are doing here is potentially levying a tax on a wholesale transaction between a local telephone exchange and a interstate carrier. Now one of the questions that was asked of me, both at the committee hearing and in private at that time, is why doesn't the industry just litigate this tax or this action by the Department of Revenue and I would suggest that, number one, that is a very expensive endeavor and very time consuming considering the volume of tax that would be collected and, number two, again in looking at the statutes involved, if there was some mandate there that I could see that would justify in any reasonable interpretation of the statute such a tax, possibly I would have agreed that maybe litigation was the best way to go, but in reviewing the statutes and the regulations that the department has utilized in the past, it appears that