



# Federal Phone Taxes and America's Seniors

A Survey of Americans Aged 60 and Over

*Prepared for*

**The Seniors Coalition**

OPINION RESEARCH CORPORATION

*April 4, 2006*





# METHODOLOGY

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A series of questions was asked on three waves of CARAVAN®, Opinion Research Corporation's twice-weekly national shared-cost survey. The purpose of the research was to gain an understanding of the views of Americans age 60 and over on issues related to telephone service fees.

Results are based on telephone interviews conducted among a sample of 860 adults age 60 and over, living in private households, in the continental United States. Interviewing was completed by ORC during the period of March 16-25, 2006.

Completed interviews of the 860 adults were weighted by four variables: age, sex, geographic region, and race, to ensure reliable and accurate representation of the total adult population.

The margin of error at a 95% confidence level is plus or minus three percentage points for the sample of 860 adults. Smaller sub-groups will have larger error margins.



## Executive Summary

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A survey conducted for The Seniors Coalition (TSC) by Opinion Research Corporation (ORC) from March 16-25, 2006 of 860 older Americans found the following:

- ◆ Half of all older Americans – and an even larger 55 percent of those who said they are on a “fixed income” – would have to cut back on long-distance phone calls if their “phone bill was raised by \$1 to \$2 every month in higher federal phone fees” – as is proposed under the Universal Service Fund (USF) per-line charge approach to funding.
- ◆ More than three-fifths (61 percent) of the lowest-income seniors would have to cut back on long-distance phone calls if their “phone bill was raised by \$1 to \$2 every month in higher federal phone fees.”



## Executive Summary

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- ◆ Two out of three older Americans say that it would be “unfair” to switch the federal USF tax from the current “pay-for-what-you-use basis” on long-distance calls that are actually made to “a flat charge for every phone line you have — even if you don’t use the phone line or lines to make any long-distance calls.” Half of seniors said that it would be “very unfair” to change the USF in this manner. Fewer than one in four seniors (23 percent) think the line-based approach to USF is “fair.”
- ◆ More than four out of five seniors (83 percent) oppose changing the USF fee on phone bills to “start paying for broadband access in rural areas” if the change was to be “funded by shifting more of the burden of the “universal service fund” fee onto the shoulders of senior citizens and low-income individuals who make few or even no long-distance phone calls.”
- ◆ Only 9 percent of seniors in rural (non-metro) areas would support using USF to pay for rural broadband if seniors and low-income individuals had to pay more.



## Executive Summary

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- ◆ 70 percent of older Americans think that “the federal taxes and fees now being assessed on your phone bill are too high,” with only about 22 percent saying they are “about right.”
- ◆ A third of all seniors – and 38 percent of those who said they were on a “fixed income” – reported that they already have had to “cut back on your long-distance calling in the last two years in order to save money needed for other things, such as prescription drugs, heating bills and other energy charges, or other expenses.” Over half (55 percent) reported no change in their calling patterns and 5 percent reported making more calls.
- ◆ Nearly four out of five older Americans (79 percent) reported that they are living on a “fixed income.”



# Detailed Findings

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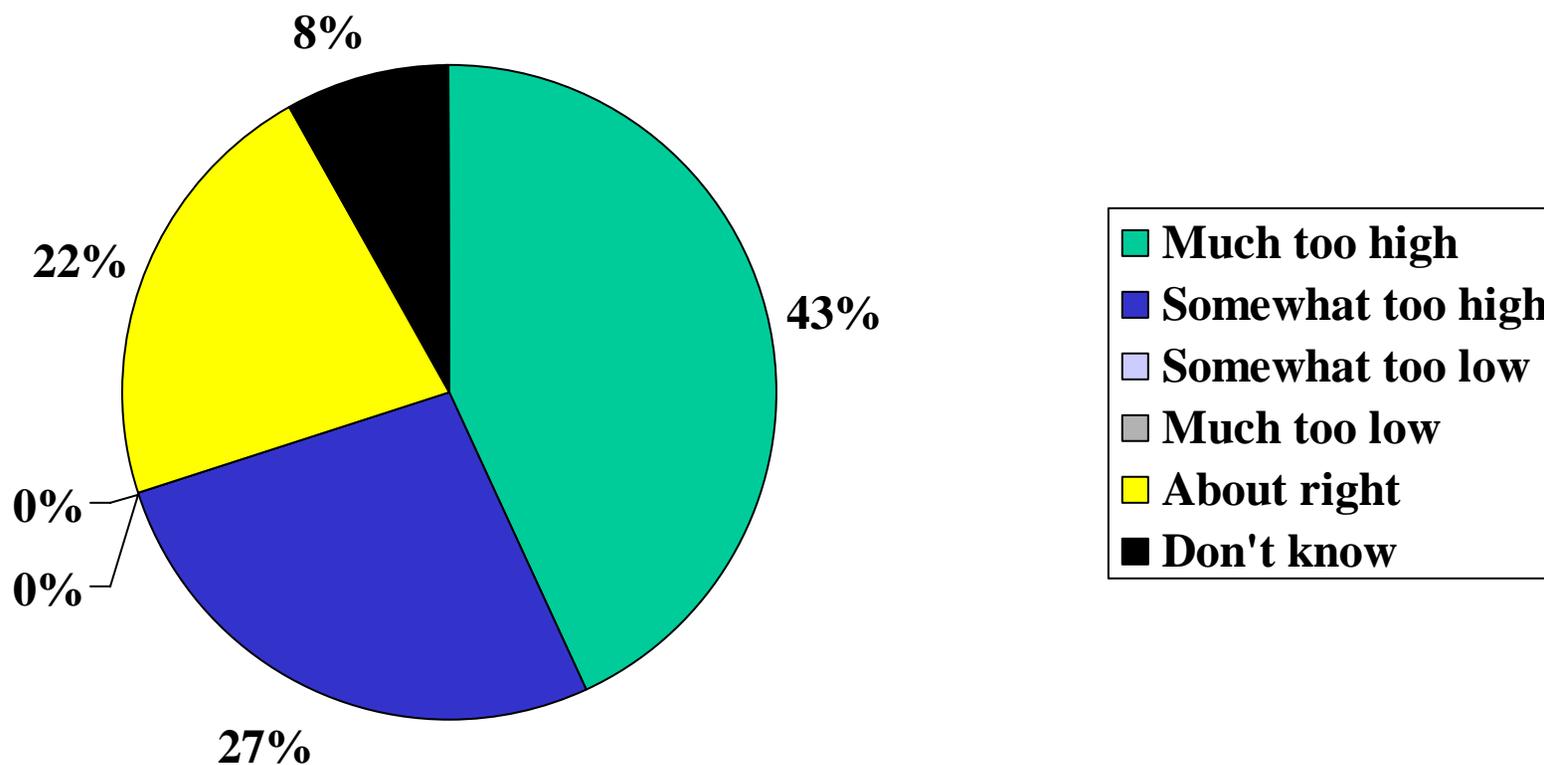
## Federal Phone Taxes

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- ◆ Most seniors (70%) feel that the Federally imposed taxes on their telephone bill are much too high (43%) or somewhat too high (27%). About a fourth (22%) think the level of their phone taxes is about right. Only 4% think these taxes are too low. Seven percent do not know.
  - Interestingly opinion varies greatly by region. Eighty-three percent of seniors in the Northeast think the Federal taxes on their phone is too high compared to only 71% of those in the South, 68% of those in the Midwest and 61% of those in the West.

# Federal Phone Taxes

Q11: Do you think the federal taxes and fees now being assessed on your phone bill are too high, too low or about right? Would you say...



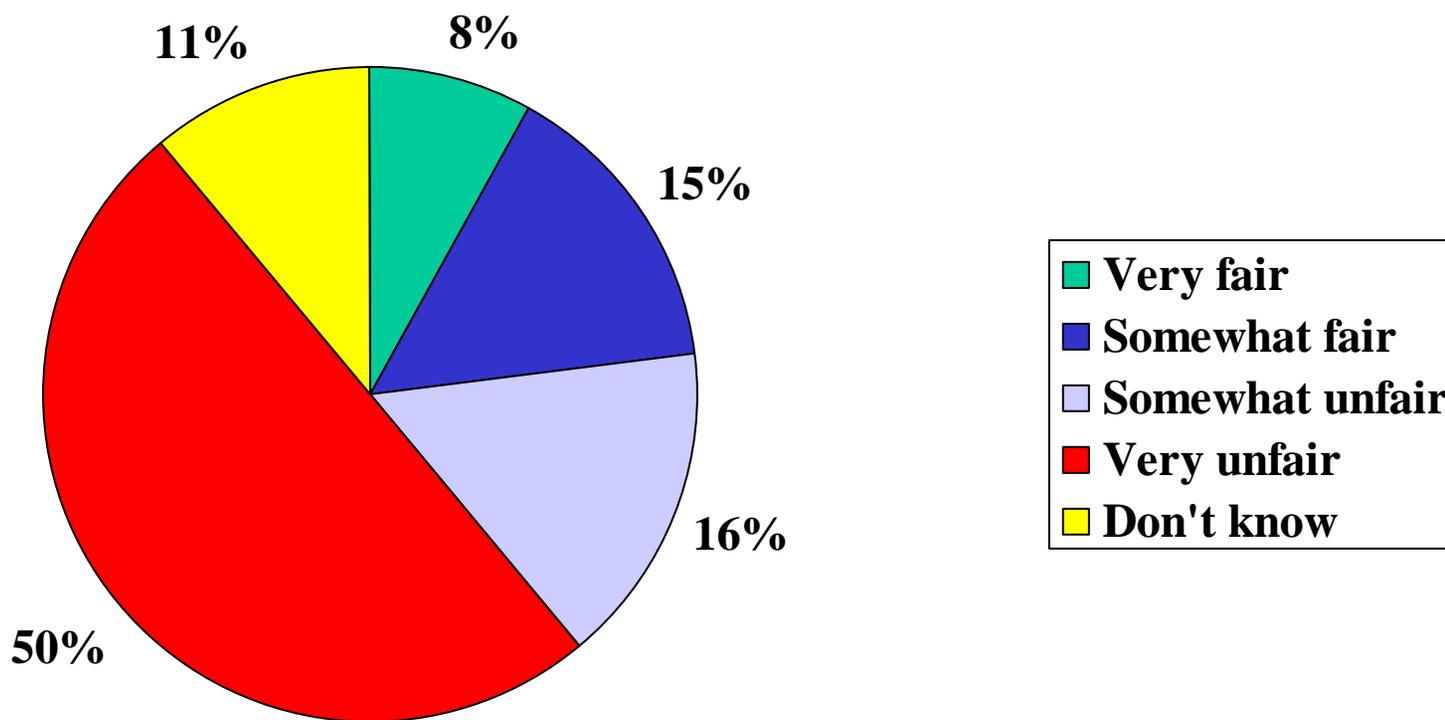
Base = 860 adult Americans age 60 and over.

# Switching the Universal Service Fund Fee from Usage-Based to Flat-Fee Tax

- ◆ A majority of seniors think it would be unfair for the Federal government to change the universal service fund charge from a per-use basis to a flat-fee basis. Twenty-three percent think it is fair and 11% do not know.
  - Male seniors are more likely than females to think this is unfair (71% vs. 62%)
  - Respondents with a college education also are more likely to think this is unfair compared with those with less than a high school education (70% vs. 52%).
  - Households with no children are a lot more likely to think this is unfair compared to those with children (67% vs. 47%). Perhaps this is because the question wording explained “there is a plan in Washington that would change this fee to a flat charge for every phone line you have even if you don’t use the phone line to make any long distance calls.”

# Switching the Universal Service Fund Fee from Usage-Based to Flat-Fee Tax

*QH2: One of your long distance fees -- for the federal "universal service fund" is based on how much long distance phone service you use. There is a plan in Washington that would change this fee to a flat charge for every phone line you have even if you don't use that phone line or lines to make any long distance calls. Do you think switching this federal phone charge from a pay for what you use basis to a flat per-line rate regardless of how much long-distance you use is fair or unfair? Would you say...*



*Base = 860 adult Americans age 60 and over.*



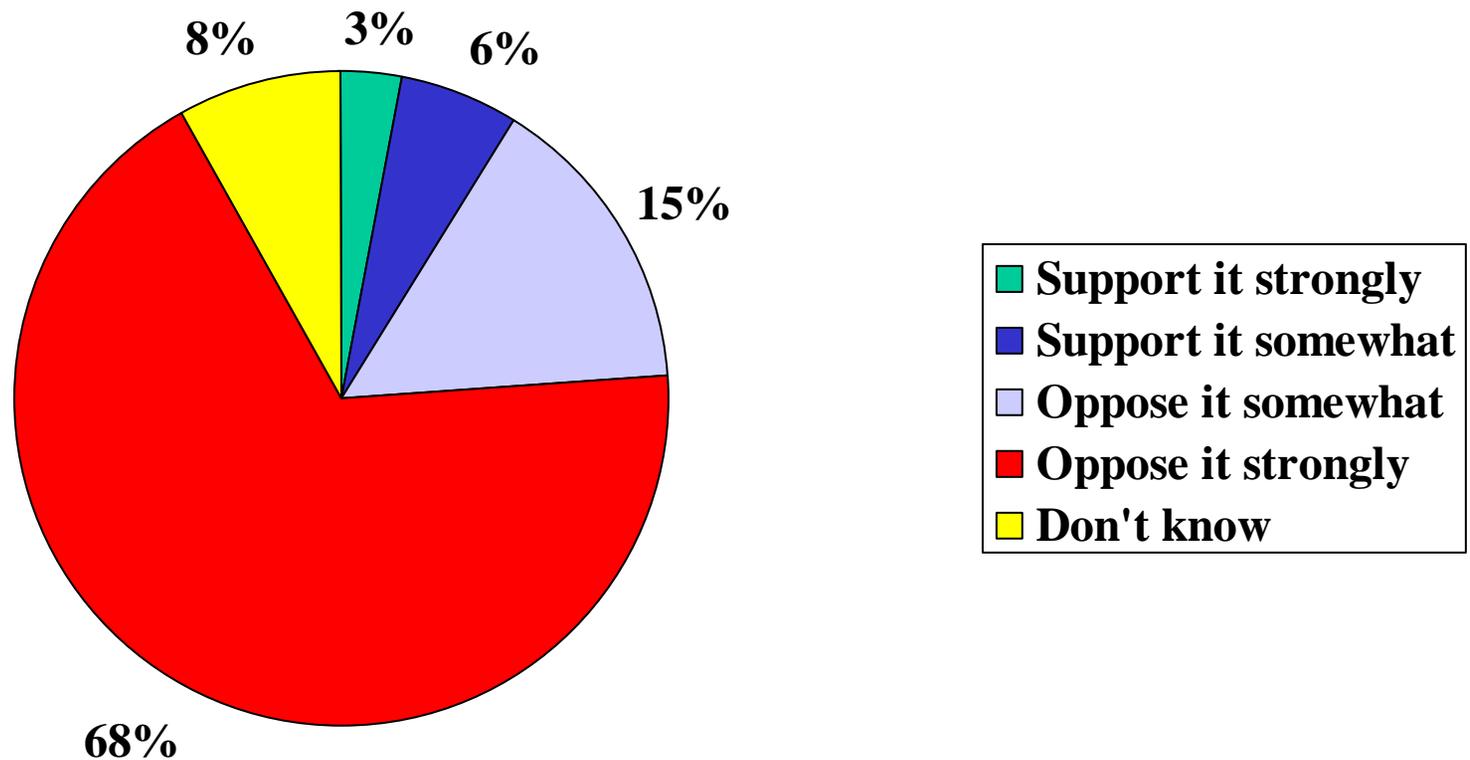
# Changing Who Pays For the Universal Service Fund

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- ◆ Most seniors (83%) oppose changing the way the universal service fund fee is currently used. When explained that the service fee might be used to pay for broadband access in rural areas, 15% say they oppose it somewhat and 68% oppose it strongly. Only 8% of respondents would support such a change.
  - Interestingly, opposition to this change is lower in the West (77%) than any other region of the country (Northeast and Midwest both 85%, South 83%).

# Changing Who Pays for the Universal Service Fund

*QH3: Some people in Washington want to change the “universal service fund fee on your phone bill so that it will start paying for broadband access in rural areas. This change, however, could end up being funded by shifting more of the burden of the “universal service fund” fee onto the shoulders of senior citizens and low-income individuals who make few or even no long-distance phone calls. Would you support or oppose such a shift? Would you say you...*



*Base = 860 adult Americans age 60 and over.*



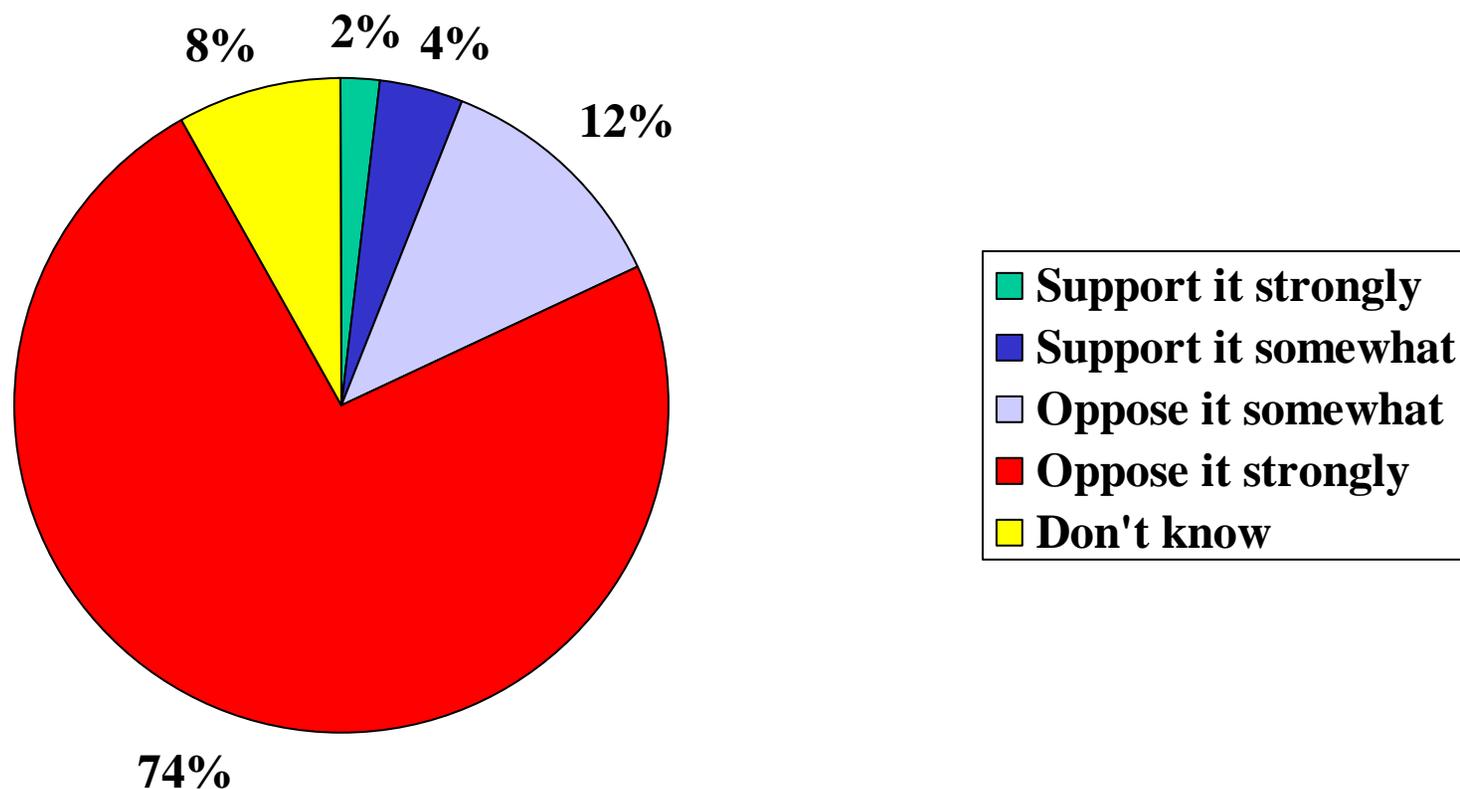
## Changes in the Universal Service Fund Tax

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- ◆ When asked about the changes in the universal service fund fee a slightly different way, seniors are still opposed to it. A later question explained that “the U.S. Federal Communications Commission is looking at changing the “universal service fund” fee so that 43 million households – most of them senior citizens and low-income individuals would pay in excess of \$700 million more into the federal fund than they do now.” When respondents heard the amount more they might be paying, they were opposed to the change.
- ◆ Eighty-six percent say they are somewhat or strongly opposed to this change, while only 6% would support it.

# Opposition to Changing the Universal Service Fund Tax is High

*QH4: The U.S. Federal Communications Commission is looking at changing the “universal service fund” fee on your phone bill so that \$43 million households – most of them seniors and low-income individuals would pay in excess of \$700 million more into the federal fund than they do now. Would you support or oppose such a change? Would you say you...*



*Base = 860 adult Americans age 60 and over.*



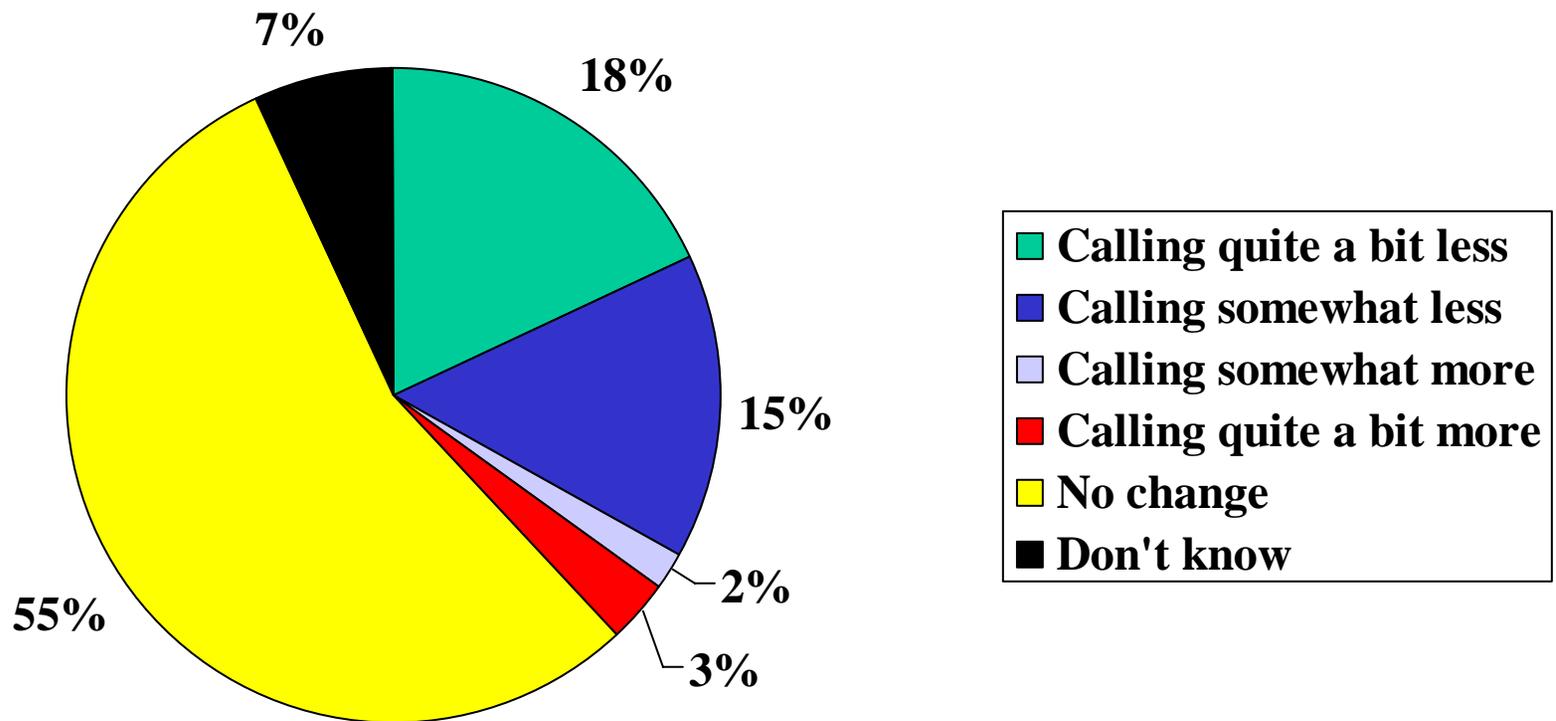
## Are Seniors Already Calling Less?

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- ◆ One question was asked to determine if seniors are cutting back on their telephone calling to be able to afford prescription medicines, heating and other expenses. One-third say they are calling less to be able to afford these other items. More than half (55%) have made no change.
  - Women are more likely than men to say they have cut back on their calling to afford life's expenses (37% vs. 29%). Men are more likely than women to say they have made no change in their calling patterns (60% vs. 51%).
  - There are also regional differences for this question. Those in the West (23%) are the least likely to be cutting back on their calling to meet expenses, while those in the Northeast are doing a lot less calling (46%). Fewer in the South (33%) and Midwest (36%) have cut back as much as those in the Northeast.
  - Respondents with lower levels of education or household income are much more likely to have made changes in their calling habits. Forty-six percent of those with household incomes of less than \$25,000 say they have cut back on long-distance compared to only 16% of those in households with \$75,000 or more in income. Forty-four percent of those with less than a high school education have cut back on their calling compared to only 19% of those with a college degree.

# Are Seniors Already Calling Less?

*QH5: How much have you cut back on your long-distance calling in the last two years in order to save money needed for other things, such as prescription drugs, heating bills and other energy charges or other expenses? Would you say you are...?*



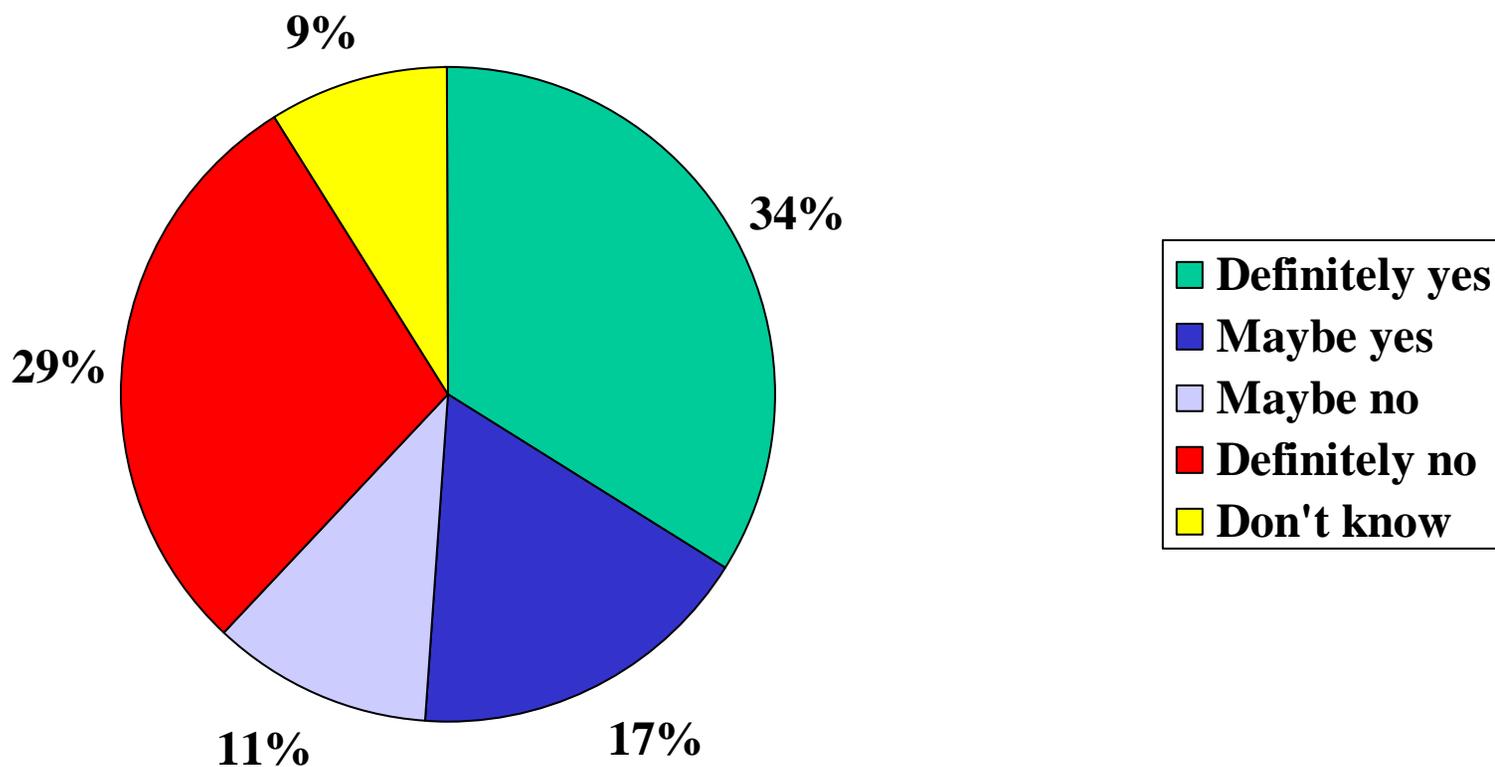
*Base = 860 adult Americans age 60 and over.*

# Would Higher Federal Phone Taxes Force You to Cut Back Your Long-Distance Calling?

- ◆ Half of seniors say that if there was an increase of one or two dollars every month in higher federal phone fees, they would cut back on their long-distance phone calling. Forty percent would not cut back on their calling.
  - Women are a lot more likely than men to say they would cut back (55% vs. 44%).
  - Respondents in the West are the least likely to say they would cut back (44%) compared to those in the Northeast (56%), Midwest (52%) or South (50%).
  - Non-metro seniors – those in more rural areas – would be a lot more likely to cut back on their calling (56%) compared to those in metro regions (48%).
  - Sixty-two percent of seniors with household incomes of less than \$25,000 would cut back on long distance if the federal fees were raised a few dollars a month, while only 38% of those in households with incomes of \$75,000 or more would.
  - Half of respondents (55%) with less than a high school education would cut back on their calling in this instance while only 37% of those with a college degree would do the same.
  - More than half of seniors on a fixed income would cut back on calling (55%) compared to only 31% of those who are not on a fixed income.

# Would Higher Federal Phone Taxes Force You to Cut Back Your Long-Distance Calling?

QH6: If your phone bill was raised by \$1 to \$2 every month in higher federal phone fees, would you cut back on your long distance phone calling? Would you say...?



Base = 860 adult Americans age 60 and over.



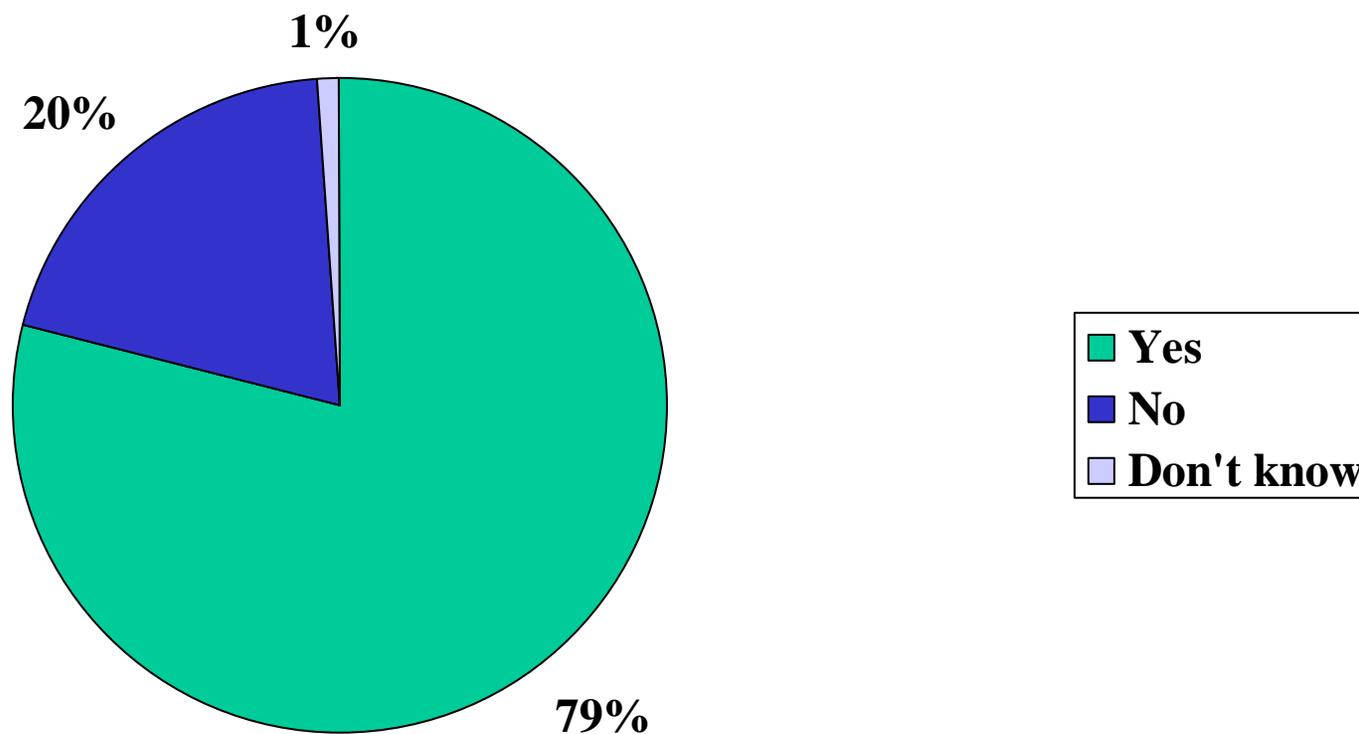
## Living on a Fixed Income?

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- ◆ More than three-fourths (79%) of seniors age 60 or over say they are living on a fixed income. Only 20% say they are not and only 1% does not know.
  - Senior women are more likely than males to say they are living on a fixed income (82% vs. 74%).
  - The prevalence of living on a fixed income is higher among seniors in the Northeast (84%) and lowest in the West (74%).
  - Among seniors aged 60-64 the likelihood of living on a fixed income is much lower than for those aged 65 or over (62% vs. 85%).
  - Far more respondents with less than a high school education are living on a fixed income than are those with a college degree (91% vs. 70%).

# Living on a Fixed Income?

QH7: Would you say that you are living on a fixed income?



Base = 860 adult Americans age 60 and over.



# Topline Questionnaire

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Topline Results of Telephone Interviews with 860 Adult Americans Age 60 and Over,  
Conducted March 16-25, 2006.

<p>ASK IF 60 YEARS OF AGE AND OLDER, S8 [10-13], ONLY. ALL OTHERS SKIP TO NEXT SECTION</p>
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H1 Do you think the federal taxes and fees now being assessed on your phone bill are too high, too low or about right? Would you say . . . [READ LIST. RECORD ONE ANSWER]  
(N=659)

43%	Much too high
27	Somewhat too high
--	Somewhat too low
--	Much too low
22	Or, about right
7	DON'T KNOW/NOT SURE/REFUSED

H2 One of your long-distance fees—for the federal “universal service fund”—is based on how much long-distance phone service you use. There is a plan in Washington that would change this fee to a flat charge for every phone line you have—even if you don’t use the phone line or lines to make any long-distance calls. Do you think switching this federal phone charge from a PAY-FOR-WHAT-YOU-USE basis to a FLAT PER-LINE rate—regardless of how much long-distance you use—is fair or unfair? Would you say . . . [READ LIST. RECORD ONE ANSWER]

8%	Very fair
15	Somewhat fair
16	Somewhat unfair
50	Very unfair
12	DON'T KNOW/NOT SURE/REFUSED

H3 Some people in Washington want to change the “universal service fund” fee on your phone bill so that it will start paying for broadband access in rural areas. This change, however, could end up being funded by shifting more of the burden of the “universal service fund” fee onto the shoulders of senior citizens and low-income individuals who make few or even no long-distance phone calls. Would you support or oppose such a shift? Would you say you . . . [READ LIST. RECORD ONE ANSWER]

3%	Support it strongly
6	Support it somewhat
15	Oppose it somewhat
68	Oppose it strongly
9	DON'T KNOW/NOT SURE/REFUSED

H4 The U.S. Federal Communications Commission is looking at changing the “universal service fund” fee on your phone bill so that 43 million households—most of them seniors and low-income individuals—would pay in excess of \$700 million more into the federal fund than they do now. Would you support or oppose such a change? Would you say you . . . [READ LIST. RECORD ONE ANSWER]

2% Support it strongly  
4 Support it somewhat  
12 Oppose it somewhat  
74 Oppose it strongly  
8 DON'T KNOW/NOT SURE/REFUSED

H5 How much have you cut back on your long-distance calling in the LAST TWO YEARS in order to save money needed for other things, such as prescription drugs, heating bills and other energy charges, or other expenses? Would you say you are . . . [READ LIST. RECORD ONE ANSWER]

18% Calling quite a bit less  
15 Calling somewhat less  
2 Calling somewhat more  
3 Calling quite a bit more  
55 Or, has there been no change in your long distance calling  
6 DON'T KNOW/NOT SURE/REFUSED

H6 If your phone bill was raised by \$1 to \$2 every month in higher federal phone fees would you cut back on your long-distance phone calling? Would you say . . . [READ LIST. RECORD ONE ANSWER]

34% Definitely yes  
17 Maybe yes  
11 Maybe no  
29 Definitely no  
10 DON'T KNOW/NOT SURE/REFUSED

H7 Would you say that you are living on a “fixed income”?

79% YES  
20 NO  
1 DON'T KNOW/NOT SURE/REFUSED