Mass. lawmakers eye a 'Netflix tax' to fund community TV channels

By Hiawatha Bray Globe Staff, Updated July 31, 2023, 9:40 a.m.



Icons for popular streaming apps displayed on an iPhone. KOSHIRO VIA ADOBE STOCK

A proposed state tax on streaming video services could lead to higher prices for popular video services such as Netflix and Hulu. But the state's community access cable channels, which provide local news, sports, and gavel-to-gavel coverage of local government, say the tax is essential to keep them afloat.

"If we don't have some kind of help in updating the funding for community media, we're not going to be around," said David Gauthier, president of MassAccess, the statewide organization for community access cable channels.

In July, the Joint Committee on Advanced Information Technology held hearings on legislation filed by Democratic State Representative Joan Meschino and Republican Representative Mathew J. Muratore. Their bill would require streaming video companies to pay a 5 percent fee on the gross revenues generated in the state. The estimated $65 million a year raised by the fee would support roughly 200 community access channels, the most in any state.

The community channels are run by nonprofit organizations or town governments, and funded by cable TV companies, which are assessed a fee by local governments for the right to run their cables through city property. The cable companies pass the cost on to subscribers.

But subscriptions are plummeting as US consumers abandon pay TV for streaming services. Cable and satellite subscribers now number about 70 million, down more than 25 percent from 95.5 million a decade ago, according to Leichtman Research Group, a New Hampshire research and analysis company specializing in media, entertainment, and broadband industries.


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“The next three to five years it’s really going to dry up even more so,” said Muratore.

Meschino said citizens can’t afford to lose access to community media channels, because so many local newspapers have shut down. “There’s literally no other way to consume that sort of hyperlocal programming,” Meschino said.

The community channels were especially valuable during the COVID lockdown, as they provided emergency information and broadcast virtual public meetings via cable and the internet.

“That’s how town board meetings occurred,” said Muratore. “Government still had to function. They were able to do that through the local access stations.”

About a dozen US states levy sales taxes on consumers’ streaming video bills. But Meschino said that sales tax money goes into each state’s general fund. Instead, she wants the streaming fee to be dedicated entirely to support for community media services, just like the fee paid by traditional cable TV companies.



The show "Seniors on the Move" recorded a program in the studios at Boston Neighborhood Network Media on Feb. 27, 2019. JOHN TLUMACKI/GLOBE STAFF

Some or all of the fees would likely be passed on to consumers. Gauthier estimates that a typical household's costs could rise about $2.40 a month, spread among several streaming networks.

"Maybe it'll be 75 cents for your Amazon," he said. "Maybe it'll be 80 cents for your Disney."

National prices for streaming services have increased steadily in recent years. For instance, a standard Netflix subscription, priced at $9.99 in 2015, now costs $15.49.

"It's going to be a pain to comply,' said Christopher Gilrein, executive director for the Northeast for the trade association Technet, which is lobbying against the streaming tax bill.

Gilrein said that the tax would apply only to video streamed over hardwired internet lines running through public property. But many people watch videos on their 4G or 5G phones. The streaming companies would have to figure out the percentage of revenues attributable to wired streaming.

And they would have to do this just for Massachusetts, because the proposed law would work differently from the sales taxes used in other states. Gilrein said it would be very expensive "to stand up an internal infrastructure to comply with a tax that is out of step with 49 other states."

Another critic of the bill, Andrew Wilford, director of the interstate commerce initiative at the National Taxpayers Union Foundation, said "it really comes down to a cash grab,"

Wilford said that if a streaming service can be taxed merely because its programs are moving over a wire running through public land, then the state could levy a similar tax on any business using the network. He predicted that if the law is approved, other online services could get hit with new fees. For example, a videogame streaming company like Twitch or a music streaming company like Spotify might be liable.

“As states see the cash cow available for milking,” Wilford said, “they’re going to keep tacking on revenue raisers.”

But Gauthier said the proposed streaming tax makes perfect sense. “The exact same cables and the exact same infrastructure are being used to deliver different data,” he said. “Why should Comcast have to pay and Netflix not?”



The Netflix logo on a laptop computer arranged in the Brooklyn Borough of New York on Oct. 16, 2021. GABBY JONES/BLOOMBERG

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