Form **3949-A** (April 2016)	Department of the Treasury - Internal Revenue Service **Information Referral** *(See instructions on reverse)*	OMB Number 1545-1960

Use this form to report suspected tax law violations by a person or a business.

CAUTION: READ THE INSTRUCTIONS BEFORE COMPLETING THIS FORM. There may be other more appropriate forms specific to your complaint. (For example, if you suspect your identity was stolen, use Form 14039.)

Section A – Information About the Person or Business You Are Reporting

Complete 1, if you are reporting an Individual. Complete 2, if you are reporting a business only. Complete 1 and 2 if you are reporting a business and its owner. *(Leave blank any lines you do not know.)*

1a. Name of individual	b. Social Security Number/TIN	c. Date of birth	
d. Street address	e. City	f. State	g. ZIP code
h. Occupation	i. Email address		

j. Marital status *(check one, if known)*
☐ Married ☐ Single ☐ Head of Household ☐ Divorced ☐ Separated

k. Name of spouse

2a. Name of business DISH Network Corporation	b. Employer Tax ID number (EIN) 88-0336997	c. Telephone number 303-723-1000	
d. Street address 9601 S. Meridian Blvd.	e. City Englewood	f. State CO	g. ZIP code 80112
h. Email address charlie.ergen@dish.com	i. Website http://www.dish.com/		

Section B – Describe the Alleged Violation of Income Tax Law

3. Alleged violation of income tax law. *(Check all that apply.)*

☐ False Exemption	☐ Unsubstantiated Income	☐ Unreported Income	☐ Failure to Withhold Tax
☒ False Deductions	☐ Earned Income Credit	☐ Narcotics Income	☐ Failure to File Return
☐ Multiple Filings	☐ Public/Political Corruption	☐ Kickback	☐ Failure to Pay Tax
☐ Organized Crime	☐ False/Altered Documents	☐ Wagering/Gambling	☐ Other *(describe in 5)*

4. Unreported income and tax years
Fill in Tax Years and dollar amounts, if known *(e.g., TY 2010- $10,000)*
TY _____ $ _________ TY _____ $ _________ TY _____ $ _________ TY _____ $ _________ TY _____ $ _________ TY _____ $ _________

5. Comments *(Briefly describe the facts of the alleged violation-Who/What/Where/When/How you learned about and obtained the information in this report. Attach another sheet, if needed.)*
See attached.

6. Additional information. Answer these questions, if possible. Otherwise, leave blank.
a. Are book/records available? *(If available, do not send now. We will contact you, if they are needed for an investigation.)* ☐ Yes ☒ No
b. Do you consider the taxpayer dangerous? ☐ Yes ☒ No
c. Banks, Financial Institutions used by the taxpayer

Name			Name		
Street address			Street address		
City	State	ZIP code	City	State	ZIP code

Section C – Information About Yourself

(We never share this information with the person or business you are reporting.)
This information is not required to process your report, but would be helpful if we need to contact you for any additional information.

7a. Your name Sahm Adrangi, CIO of Kerrisdale Capital	b. Telephone number 212.792.7999	c. Best time to call 9pm to 5pm	
d. Street address 1212 Avenue of the Americas, 3rd floor	e. City New York	f. State NY	g. ZIP code 10036

Please print and send your completed form to: Internal Revenue Service
Stop 31313
Fresno, CA 93888

Overview

DISH Network Corporation is a satellite-TV provider with a market capitalization of more than $20 billion. Over the past several years, DISH and its affiliates have invested approximately $14 billion in wireless spectrum licenses. These licenses have never been used to provide cellular service or generate material revenue, yet DISH is now benefiting from what we estimate to be almost $1 billion of annual tax deductions by amortizing the licenses' cost. Indeed, as a result of these deductions, DISH – a company with 14 million paying TV subscribers and more than $2 billion in annual operating income – appears to have paid zero dollars of federal income tax in 2015.[1]

We believe DISH's actions violate the Internal Revenue Code, which requires that an "amortizable section 197 intangible" be "held in connection with the conduct of a trade or business."[2] DISH is not conducting a trade or business using its cellular licenses; to the contrary, even its latest annual report merely claims that it is "*preparing* for the commercialization" of its licenses,[3] while the Federal Communications Commission has recently held that "DISH has no terrestrial operations on its…spectrum and has not announced its technology plans for the spectrum, other than to say that it has no current plan to build out facilities using its spectrum."[4] In highly analogous circumstances, in which a business claimed large deductions by amortizing the cost of spectrum licenses that it had not yet deployed in any on-air networks, the IRS found that the deductions were improper, a decision subsequently upheld by both the Tax Court[5] and the Court of Appeals for the Sixth Circuit.[6] Until such time as DISH actually conducts a trade or business using its cellular spectrum, it has no legitimate grounds for benefiting from amortization, and the IRS should not allow it.

DISH Background

DISH has purchased terrestrial spectrum licenses in a variety of FCC-designated frequency bands. Below we summarize DISH's portfolio, drawing on its public financial disclosures.

---

[1] DISH's 2015 10-K reports "cash paid for income taxes" of $16 million, but this includes state income taxes. During its third-quarter 2015 conference call, DISH executives said, "[W]e don't think we are going to be a cash tax payer in 2015…on a federal basis." See <https://www.sec.gov/Archives/edgar/data/1001082/000155837016003267/dish-20151231x10k.htm>, p. F-21, and the Capital IQ transcript of DISH's November 9, 2015, call, attached as Exhibit B.

[2] 26 U.S.C. §197(c)(B).

[3] <https://www.sec.gov/Archives/edgar/data/1001082/000155837016003267/dish-20151231x10k.htm>, p. F-15 (emphasis added).

[4] FCC Memorandum Opinion and Order, August 17, 2015, <https://apps.fcc.gov/edocs_public/attachmatch/FCC-15-104A1.pdf>, p. 9, paragraph 20.

[5] *Broz* v. *Commissioner,* 137 TC 46 (2011). Available at <http://www.ustaxcourt.gov/InOpHistoric/bro2z.TC.WPD.pdf>.

[6] *R. Broz,* CA-6, 2013-2 USTC ¶50,488, 727 F3d 621. Available at <http://www.ca6.uscourts.gov/opinions.pdf/13a0248p-06.pdf>.

Spectrum band	Cost ($mm)[7]	Year of purchase
700MHz E Block	712	2008
AWS-4	1,949	2012
H Block	1,672	2014
AWS-3	9,890	2015
Total	14,223	

DISH's 700MHz, AWS-4, and H Block licenses are held by LLCs that are wholly owned, direct subsidiaries of DISH Wireless Holding L.L.C., which is, in turn, a wholly owned, direct subsidiary of DISH Network Corporation. Two additional subsidiaries of DISH Wireless Holding L.L.C. own purportedly non-controlling 85% economic interests in the parent companies of Northstar Wireless, LLC, and SNR Wireless LicenseCo, LLC, which hold AWS-3 licenses. In addition, DISH, via subsidiaries, has lent $8.9 billion to Northstar and SNR.

Despite its terrestrial spectrum holdings, DISH is not in the terrestrial wireless business. All it has done with its licenses is hold them, presumably in anticipation of re-selling or otherwise monetizing them. DISH's most up-to-date public commentary about its spectrum investments makes it clear that there is no business underway today:

> As we consider our options for the commercialization of our wireless spectrum, we may incur significant additional expenses and may have to make significant investments related to, among other things, research and development, wireless testing and wireless network infrastructure, as well as the acquisition of additional wireless spectrum.[8]

In keeping with the pre-commercial nature of its spectrum investments, DISH reported zero dollars of revenue in its wireless segment for the first quarter of 2016.[9]

Prior to late 2015, DISH apparently amortized "some of [its] spectrum for tax purposes" but acknowledged the clear legal limits on this practice ("we have to be in the business to do it"):[10]

> **[Analyst]**
> If I can ask another question about your spectrum. I'm curious, are you amortizing your spectrum for tax purposes? The wireless carriers all do that and they get the fairly sizable tax shields as a result of it. I don't know whether you guys have that ability or not.
>
> **Charles W. Ergen**
> You want to take that?

[7] <https://www.sec.gov/Archives/edgar/data/1001082/000155837016003267/dish-20151231x10k.htm>, p. F-33.
[8] DISH 2016 Q1 10-Q, <https://www.sec.gov/Archives/edgar/data/1001082/000155837016004731/dish-20160331x10q.htm>, p. 4.
[9] <https://www.sec.gov/Archives/edgar/data/1001082/000155837016004731/dish-20160331x10q.htm>, p. 39.
[10] See the Capital IQ transcript of DISH's August 5, 2015, call, attached as Exhibit A. Emphasis added.

Steven E. Swain
Yes. So we are amortizing some of our spectrum for tax purposes.

Charles W. Ergen
But not all of it. And we have to be in the business to do it.

Nonetheless, by the next quarterly call, DISH had suddenly determined that it could already amortize its licenses despite still not "being in the business":[11]

[Analyst]
…Charlie, I think there was some talk that there could be some accounting rules that may allow you to amortize the spectrum before you re-launch the service. Can you talk about that? And if that's the case, what kind of tax shields could we clear from that?

Charles W. Ergen
…on the amortization for spectrum, I'll let Steve Swain handle that.

Steven E. Swain
Yes, this is Steve. We and an adviser believe the FCC granted certain spectrum rights earlier this year. These rights were a triggering event for tax amortization. So I'll just leave it at that.

Charles W. Ergen
But I think it's fair to say, we don't believe we're a net -- we probably don't have a tax liability for 2015.

Steven E. Swain
That's correct. You can see in Note 4 of our 10-Q the current cash taxes paid year-to-date. And with the tax amortization as well as being in a overpayment position from prior years, we don't think we're going to be a tax cash -- a cash taxpayer in 2015.

Unknown Executive
And to clarify, that's on a federal basis. The $15 million that Steve alludes to that's disclosed, that's state tax, cash that we paid.

DISH's 2015 10-K confirmed the impact of this shift:[12]

> Cash paid for income taxes during 2015 was reduced by, among other things, our non-controlling investments in the Northstar Entities and the SNR Entities, which hold the Northstar Licenses and the SNR Licenses, respectively, as well as our H Block Licenses acquired in 2014. These licenses are amortized over a fifteen-year life for income tax purposes.

---

[11] See Exhibit B.
[12] <https://www.sec.gov/Archives/edgar/data/1001082/000155837016003267/dish-20151231x10k.htm>, p. F-21.

While we don't know for certain which portions of DISH's portfolio it began to amortize, or when, a $14,223 million aggregate cost basis amortized over 15 years would supply $948 million of deductions per year, saving $332 million of annual federal income taxes at the 35% statutory rate. Equity analysts covering DISH attribute billions of dollars of value to these deductions, as the excerpt below, taken from an April 22, 2016, document, demonstrates:[13]

> As of 4Q15, Dish disclosed $15 billion in tax assets amortized over 15 years. Using a 35% tax rate, this shield saves Dish about $350 million in cash flow per year. We estimate the NPV of this shield is worth $2.6 billion, or $6 per share.
>
> **Figure 9. Value of Tax Shield** ($ million, years, percent, million shares, $ per share)

Spectrum value	15,000
/ Useful life (years)	15
= Amortized spectrum	1,000
x Tax rate	35%
= Annual tax shield	350
NPV $350 for 15 years	2,662
/ Dish shares	469
= Value per share	6

Source: Citi Research, Company Disclosures

DISH is claiming this staggeringly large financial benefit – approximately $1 billion of annual deductions producing approximately $350 million of incremental cash flow to shareholders – under a section of the Internal Revenue Code that requires that amortization deductions flow from "the conduct of a trade or business." Yet DISH has conducted no business with its licenses – not in August 2015, when it refrained from fully amortizing them; not in November 2015, when it abruptly changed its tune; and not today. We believe that whatever strained argument DISH is relying on to circumvent the "conduct of a trade or business" requirement is wrong, and, as a result, DISH owes the federal government hundreds of millions of dollars in lost tax revenues, not to mention interest and penalties.

Legal Precedents

DISH has little excuse for its actions since courts have already confirmed that the plain meaning of the "conduct of a trade or business" statutory requirement applies in precisely the circumstance DISH finds itself in: holding spectrum licenses without making use of them commercially. In *Broz* v. *Commissioner,* the Tax Court held that "the mere grant of a license by the FCC is not sufficient for an activity to qualify

---

13 Jason Bazinet et al., Citi Research, "DISH Network Corporation (DISH): Rare Opportunity: Deep Value…Little Risk. Adding to Focus List," April 22, 2016, p. 11.

as an active trade or business under sec. 197, I.R.C."[14] The license-holding entities in that case actually did report nonzero income, allocated to them by a related entity that was in fact operating its own on-air cellular networks. (By contrast, DISH's license-holding entities report *no* income, and no entity under the DISH umbrella operates a cellular network.) Even so, the Tax Court concluded that the entities were not engaged in an active trade or business because they did very little with the licenses. The Sixth Circuit agreed:[15]

> The Tax Court properly held that under § 197, a taxpayer may begin claiming amortization deductions only upon the active commencement of a trade or business. … The plain meaning of all the words found in § 197 indicates that amortization deductions begin only when the trade or business is actually being conducted, even if the intangible asset was acquired earlier.
>
> …The Alpine license-holding entities were formed solely to acquire and lease FCC licenses for use in Broz's cellular telephone business venture. They never actually leased the licenses for such use, meaning that the licenses were never held in connection with a trade or business that was actually being conducted. As a result, the FCC licenses never qualified as "amortizable section 197 intangibles" under § 197(c), and were therefore ineligible for amortization deductions.

The application of these recent precedents to DISH is straightforward. DISH hasn't leased or otherwise used its licenses and hasn't actively commenced any trade or business with them; at most, by its own admission, it's merely "preparing" to do so at some unknown future date. Therefore DISH has no basis for and is ineligible for the amortization deductions it's taking.

Kerrisdale Background

Kerrisdale Capital is an investment manager based in New York. As of the date of this document, Kerrisdale and its affiliates have short positions in and own option interests on the stock of DISH Network Corporation and stand to realize gains in the event that the price of the stock decreases.

---

[14] *Broz* v. *Commissioner,* 137 TC 46 (2011). Available at <http://www.ustaxcourt.gov/InOpHistoric/bro2z.TC.WPD.pdf>.

[15] *R. Broz,* CA-6, 2013-2 USTC ¶50,488, 727 F3d 621. Available at <http://www.ca6.uscourts.gov/opinions.pdf/13a0248p-06.pdf>.

Exhibit A

CONTENTS

Dish Network Corp. NasdaqGS:DISH

FQ2 2015 Earnings Call Transcripts

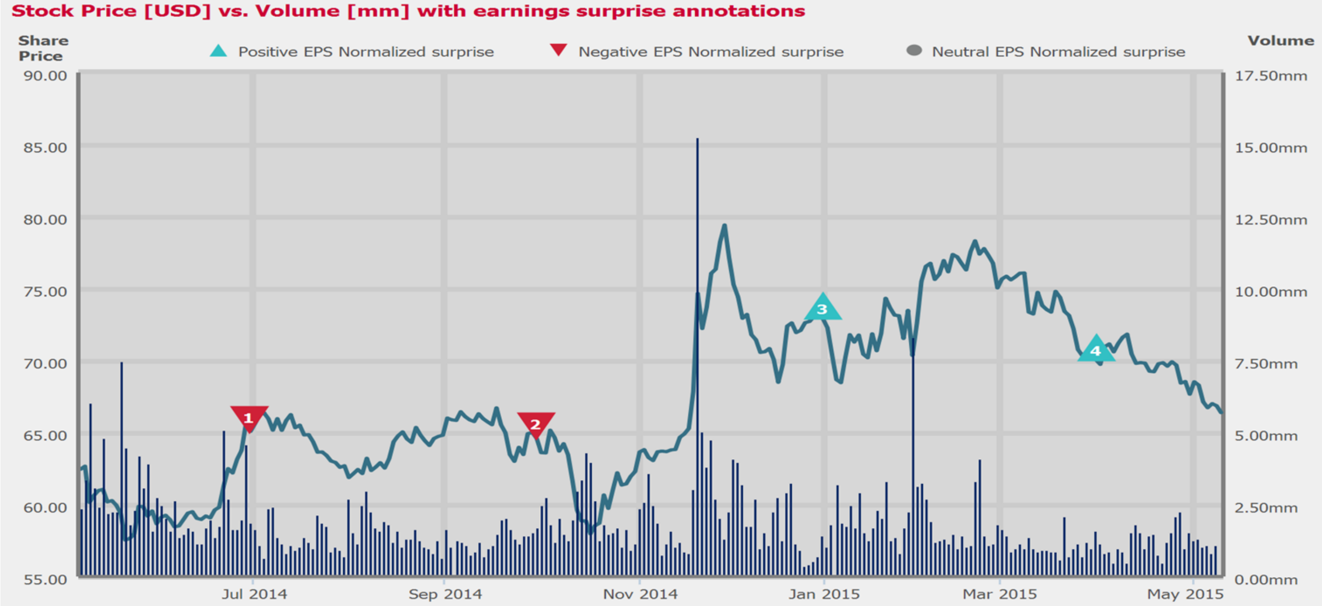
Wednesday, August 05, 2015 4:00 PM GMT

S&P Capital IQ Estimates

	-FQ2 2015-			-FQ3 2015-	-FY 2015-	-FY 2016-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.46	0.70	▲52.17	0.37	1.94	1.78
Revenue (mm)	3787.65	3830.00	▲1.12	3780.88	15057.88	15496.46

Currency: USD

Consensus as of Aug-05-2015 1:56 PM GMT



- EPS NORMALIZED -	CONSENSUS	ACTUAL	SURPRISE
FQ2 2014	0.52	0.46	▼1 (11.54 %)
FQ3 2014	0.39	0.31	▼2 (20.51 %)
FQ4 2014	0.43	0.88	▲3 104.65 %
FQ1 2015	0.40	0.76	▲4 90.00 %

same for each customer. So I think that no content owner today could afford to lose our distribution. And I think it's more of a case that I've said on call previously is that we have to now look at each content deal and decide whether, long term, that content-to-content deal makes sense. And when somebody comes in and says, I want a double-digit rate increase and they've had double-digit viewership decline, we don't think that math works for us. And we know from -- we have viewer measurement real-time from our customers, so we're not reliant on Nielsen, which we think there are some inaccuracies in. So we know -- and our customers may be a little different than Nielsen anyway because we skew more rural, but we know to the penny what content has worked to our customers. And so we approach a negotiation for content based on economics, not based on the fact that they used to charge us this and they want a 10% increase or a 20% increase. That's irrelevant to us. What's relevant is what do our customers watch. Let's take an example. Kids' programming used to always be kind of right up there in the top 2 or 3 or 4 things people watch. But the advent of Netflix, what our customers are doing, we know a lot of customers are on Netflix. They just go to Netflix and hit kids and it is the kids that do it. And the kid hits kids and they go watch whatever episode they're going to watch and they know how to do it and they don't have commercials. And the parents like that better because there's no commercials And the kid can watch what he wants to watch. And if they can watch an episode that's 2 years old or 20 years old or 50-year-old and cartoon, it's irrelevant. They're not sitting on the edge of the seat waiting for the new season of Game of Thrones. They're happy to watch SpongeBob from 2007 and that's just as fresh to them as SpongeBob in 2015. So the world has changed. And we've been talking about it in our conference calls for a long time and I think other people are starting to see some of the things that we see. And all we can do as management is prepare for it and manage our way through that economically for the long term and not worry about quarter-to-quarter.

Operator

Your next question comes from the line of Brett Feldman of Goldman Sachs.

Brett Feldman
Goldman Sachs Group Inc., Research Division

So if the decision is made to go ahead and pay the FCC that $3.3 billion and you decide that you're going to finance that either because you pay it yourself or you provide the financing to your designated entities, what is your view on your sources of raising that capital? And I'm particularly interested on whether you might be willing to borrow directly against the value of your spectrum, which you've not done in the past.

Charles W. Ergen
Co-Founder, Chairman, Chief Executive Officer and President

Yes, I think it's too early to tell. I mean I think that, first, we've got to make the decision on what we're going to do and then we obviously have to work with the DE -- the DEs and they have capital as well. So we'll have to just go through that and see that. I think the markets are pretty available today and $3.3 billion is a lot of money. And we weren't counting on it, for sure. And we've got about -- we still got pretty -- I don't know if we have $1 billion-something on our balance sheet. So we'll see when the rules come out and then we'll just make those decisions.

Brett Feldman
Goldman Sachs Group Inc., Research Division

If I can ask another question about your spectrum. I'm curious, are you amortizing your spectrum for tax purposes? The wireless carriers all do that and they get the fairly sizable tax shields as a result of it. I don't know whether you guys have that ability or not.

Charles W. Ergen
Co-Founder, Chairman, Chief Executive Officer and President

Do want to take that?

Steven E. Swain
Chief Financial Officer and Senior Vice President

Yes. So we are amortizing some of our spectrum for tax purposes.

Charles W. Ergen
Co-Founder, Chairman, Chief Executive Officer and President

But not all of it. We have to be in the business to do it. And obviously, this new spectrum is the vast majority -- would be the vast majority of our purchases. So it would dwarf kind of what we paid for the spectrum previously. So we'll have to look at that, but there's some opportunity there. I mean, there's definitely opportunity from an amortization. I think it's amortized over 15 years?

Steven E. Swain
Chief Financial Officer and Senior Vice President

15 years, correct.

Charles W. Ergen
Co-Founder, Chairman, Chief Executive Officer and President

15 years. So that gets interesting when -- that's an interesting point and potentially a positive thing for us.

Brett Feldman
Goldman Sachs Group Inc., Research Division

Because along those lines, I mean, your tax basis on the licenses already own is pretty low. But is there anything you could do to trigger a step-up in that if you had a leasing arrangement that was based on a higher [indiscernible] value? It just seems like maybe tax synergies is part of your spectrum strategy that we haven't given enough consideration to.

Charles W. Ergen
Co-Founder, Chairman, Chief Executive Officer and President

Yes, I think maybe, I don't know if you want to jump on this, Jason, but I think tax consideration has moved kind of to way up our list as we look at this pending FCC decision. And certainly, corporate structure would pay a big part in how you might do it. But suffice it to say that we think that there may be an opportunity from a corporate structure point of view to do things whether you were selling or leasing spectrum that might be very attractive from a tax perspective, right? Again, we hadn't really looked at that too much because that wasn't the path we thought we were going to be on, but that is a better -- that is an increasingly advantageous option to look at. I don't know if you want to add something, Jason?

Jason Kiser
Treasurer

Brett, I'd just say we're taking a look at all our options there. It's way too early to determine which path, if any path, we're going to take. But all of those things are under consideration.

Operator

We will now take our final question from the analyst community. [Operator Instructions] Our final analyst question comes from the line of Ben Swinburne of Morgan Stanley.

Benjamin Swinburne
Morgan Stanley, Research Division

Charlie, I guess, I would say I'm a little surprised to hear you sound so downbeat about your options with the FCC and also surprised to hear you sound so complementary because it does feel like the goalposts have been moved on you kind of at the end of the game, pardon the analogy. But -- and you've got a long history of fighting a lot of battles in court with various companies and technologies going way back, taking distant networks, TiVo, AMC, AutoHop, et cetera. Do your legal folks tell you there's no real path here to fight this and so you're really just taking the result from the FCC and then figuring out where do you go from there? Or do you think there's maybe a path to pushing back on this over time?

Exhibit B

CONTENTS

Dish Network Corp. NasdaqGS:DISH

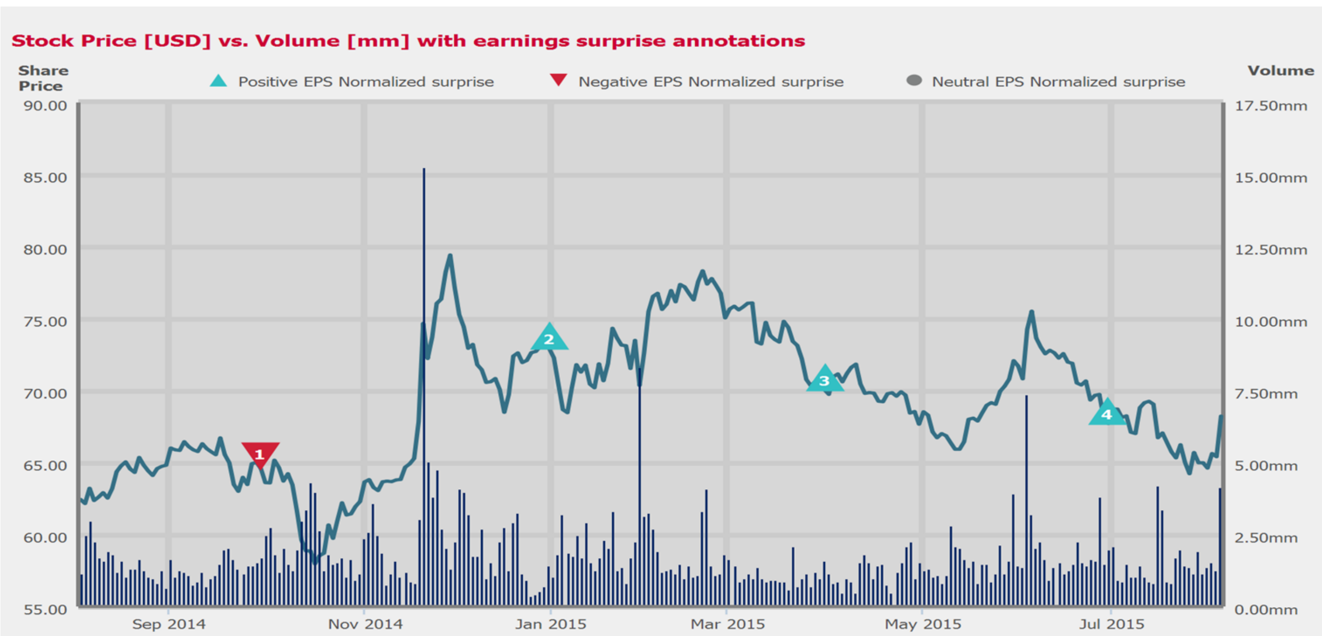
FQ3 2015 Earnings Call Transcripts

Monday, November 09, 2015 5:00 PM GMT

S&P Capital IQ Estimates

	-FQ3 2015-			-FQ4 2015-	-FY 2015-	-FY 2016-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.40	0.42	▲5.00	0.41	2.27	1.71
Revenue (mm)	3792.43	3730.00	▼(1.65 %)	3766.31	15109.94	15437.30

Currency: USD
Consensus as of Nov-09-2015 2:59 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2014	0.39	0.31	▼1 (20.51 %)
FQ4 2014	0.43	0.88	▲2 104.65 %
FQ1 2015	0.40	0.76	▲3 90.00 %
FQ2 2015	0.46	0.70	▲4 52.17 %

Your next question comes from the line of Vijay Jayant from Evercore ISI.

Vijay A. Jayant
Evercore ISI, Research Division

Two questions please, first on Sling. Any color on what buy ins are on the additional tiers? I mean, what kind of ARPU are we seeing for the product? And second, Charlie, I think there was some talk that there could be some accounting rules that may allow you to amortize the spectrum before you re-launch the service. Can you talk about that? And if that's the case, what kind of tax shields could we clear from that?

Roger J. Lynch
Executive Vice President of Advanced Technologies and Chief Executive Officer of Sling TV LLC

All right. I'll start, Vijay, with your question about buy ins. The add on packs, we don't release specific numbers on them, but the add on packs are quite popular, and you can imagine right now, sports being in particular popular with college football. But I'll just talk -- strategically what we see is, people come in try the service, they try add-on packs. Those who stay, we do see people who, throughout their tenure with us, will increase the add-on packs. Some will decrease it, but we do see a net increase over time in how people take those services as their tenure increases.

Charles W. Ergen
Co-Founder, Executive Chairman, Chief Executive Officer and President

Yes. And I think [indiscernible] with OTT, you have to realize that it's -- that we're really trying to have a platform that's an alternative for our content providers to have -- to reach a market that they don't reach today or to keep a customer who may drop at a linear TV in the future and then also an advertising model that at this point is -- doesn't have the DVR issues, where people can skip the commercials, but as easily -- but also has real-time data that allows automatic ad insertion to be a totally different model for our content providers in terms of advertising, which we don't think goes away the way it might go away and the way it might be more challenged in linear TV. And also the ability to change those commercials all the time so that you're not stuck with a commercial that when people view it 7 days later, it can be materially different commercial -- different viewpoint. And also it allows people to take their VOD library, monetize it. And it allows people to watch it on multiple devices. So it becomes more competitive to the Netflix and the Amazons of the world because we give people the ability to binge view, watch in all their devices and have more meaningful -- maybe ultimately less advertising load with more meaningful commercials. So it ends up being a way for content providers to put the genie back in the bottle a little bit and some of the leakage that we see out there from their value proposition. So -- and they're going to have alternatives. Some people are going to go outside the Pay-TV universe to new entrances as people have done with Sony or Netflix or Amazon. And some people may feel more comfortable in the Pay-TV universe, but we're an alternative for that. And we're building that platform and doing all the things technically that you need to do. And it's difficult, and we're not perfect yet technically. So one of the big obstacles that we've had is to perform technically to the level that we can on linear TV. We're not quite there yet, but we've made a lot of progress there, and we're certainly getting closer to that.

And on the -- [indiscernible] but I know on the amortization for spectrum, I'll let Steve Swain handle that.

Steven E. Swain
Chief Financial Officer and Senior Vice President

Yes, this is Steve. We and an adviser believe the FCC granted certain spectrum rights earlier this year. These rights were a triggering event for tax amortization. So I'll just leave it at that.

Charles W. Ergen
Co-Founder, Executive Chairman, Chief Executive Officer and President

But I think it's fair to say, we don't believe we're a net -- we probably don't have a tax liability for 2015.

Steven E. Swain
Chief Financial Officer and Senior Vice President

That's correct. You can see in Note 4 of our 10-Q the current cash taxes paid year-to-date. And with the tax amortization as well as being in a overpayment position from prior years, we don't think we're going to be a tax cash -- a cash taxpayer in 2015.

Charles W. Ergen
Co-Founder, Executive Chairman, Chief Executive Officer and President

And to clarify, that's on a federal basis. The $15 million that Steve alludes to that's disclosed, that's state tax, cash that we paid. And Steve, you might just -- before I get the question, but when you look at the penalty that -- not -- when you look at the payment that was imposed by the FCC on the spectrum auction, I think that's probably a deductible item, too. And that's in the fourth quarter?

Steven E. Swain
Chief Financial Officer and Senior Vice President

That's correct. So -- because it's probably going to come up, a couple of notes as you update your fourth quarter estimates, things that I want to highlight from the Q. Because the FCC payment was announced and made in October, you will see the bookkeeping for that in the fourth quarter. There will be roughly an incremental $500 million in expense on the consolidated P&L and roughly an incremental $400 million of operating cash use on the consolidated cash flow statement. And then while we're at it, one additional note: in late October, the FCC granted certain wireless licenses, with a carrying value of approximately $10 billion. As these licenses are prepared for commercialization, we anticipate capitalizing interest expense related to the carrying value of these licenses, which we expect will significantly reduce interest expense in the fourth quarter.

Operator

Your next question comes from the line of Tom Eagan from -- with Telsey Advisory Group.

Thomas William Eagan
Telsey Advisory Group LLC

A follow-up also, I guess for Roger. Last quarter, you mentioned on [indiscernible] that the single-stream nature of the service was a bit of an issue for subs. So first, is that still a factor? And then I have a follow-up.

Roger J. Lynch
Executive Vice President of Advanced Technologies and Chief Executive Officer of Sling TV LLC

It's a -- I'd say it is still an issue. I think people are a little less [indiscernible] a product than we had seen previously, maybe because people understand that it's a single-stream service. But we know as a single-stream service that it does have some limiting effect on the [indiscernible] service.

Thomas William Eagan
Telsey Advisory Group LLC

Great, okay. And then for Charlie separately, on Sling TV and the programmers. With the continued decline we've seen in the overall Pay-TV base and the stock pullback among the entertainment companies, have you seen an increased interest among the programmers to be on Sling?

Charles W. Ergen
Co-Founder, Executive Chairman, Chief Executive Officer and President

I would say in general, yes. I mean, I think they're obviously were the early adopters and with kind of Disney being the most open-minded about trying some new technologies, and others have followed that. And I think other people are taking a hard look. Obviously, a lot of people have done it -- deals with Sony for multi-stream service, and so that's kind of a different model. And so I think they're getting data now on -- certainly all our content providers are getting the data from us in terms of how the business is going. So I think there's renewed interest in kind of where OTT can go. Because what's happening is, is kind of I think there was probably a market overreaction last quarter where kind of 3 years of data all kind