



SUPPORT S.156 / H.R. 743 THE PERMANENT INTERNET TAX FREEDOM ACT

S.156 and H.R. 743, the Permanent Internet Tax Freedom Act of 2007, would ensure that states do not tax Internet access services, regardless of the technology used to provide them. The bills would also permanently extend the ban against multiple and discriminatory taxes on electronic commerce. Without this moratorium, some state and local governments could view Internet access as a target for additional tax revenues, as evidenced by the high level of taxes imposed upon other communications services and the attempts by some states to circumvent existing law by taxing the communications backbone used to provide retail Internet access service. Preventing the taxation of Internet access is critical if Congress wishes to advance its bipartisan goal of ubiquitous broadband deployment and affordable Internet access for all Americans.

- **S. 156 / H.R. 743 would make permanent the current moratorium on Internet taxes and unfair taxes on electronic commerce.** Congress first passed the Internet Tax Freedom Act (ITFA) in 1998. The moratorium was extended by Congress in 2001 and 2004 and it expires November 1, 2007. The moratorium needs to be permanently extended to ensure that this critical component of the American economy is not the target of excessive taxes imposed by state and local governments.
- **S. 156 / H.R. 743 should be amended to clarify the definition of Internet access to cover all the services as intended by Congress in enacting the original moratorium and in subsequent amendments.** This is necessary because state and local governments continue to look for creative ways to tax Internet access services.
- **Permanently extending the Internet tax moratorium will broaden the reach of technology and help eliminate the digital divide.** Over the last eight years, electronic commerce has become a critical engine for economic growth as the number of Americans who can access the Internet has increased dramatically. To enhance future growth and strategically position the nation to compete in the global economy, the moratorium should be permanently extended. The moratorium helps to ensure that all Americans can have affordable access to the Internet and promotes further broadband deployment in rural and outlying areas that may lack high-speed Internet access.
- **Permanently extending the Internet tax moratorium encourages growth in the digital economy.** The technology sector continues to invest billions in supporting the growth of high-speed Internet access. Taxes that impede consumer demand for access and inconsistent application of state taxes on new technologies are a roadblock to those new investments. The Internet is also a gateway to entrepreneurship, regardless of race, income or neighborhood. Thousands of small businesses, many minority-owned, are the direct result of access to the Internet. Higher taxes on technology will stifle the ability of small businesses to operate, grow, and create new jobs.
- **The State Streamlined Sales Tax Project is a separate issue and should not be confused with S.156 / H.R. 743.** The Permanent Internet Tax Freedom Act does not impact any State's ability to tax on-line sales, nor does it prohibit the collection of franchise fees or general property, business, and telecommunications taxes. The bill simply continues the existing prohibition on taxation of Internet access and precludes any taxation that would single out Internet users for unfair tax treatment.