



Taxing the Internet: How Long Should the Moratorium Last?

How long should we not tax Internet access?—For as long as there is an Internet.

We need federal legislation that would prevent the taxation of an interstate service—Internet access. The effect of not renewing or making permanent the current moratorium would be dire. If the access tax moratorium expires, Internet connection costs could increase by \$85 or more per year (if taxed similarly to wireless phones).

Taxes keep prices high and decrease consumer demand, which lowers the expected returns of Internet infrastructure providers from building new and upgraded networks—especially in rural and high-cost / low-density areas. A smaller pool of potential customers means providers can't justify investment in new broadband infrastructure build-out.

Prohibiting Internet access taxation is consistent with existing federal policies that have pursued a less-burdensome regulatory environment for the Internet and other new communication services. A tax on Internet access is a tax on our ability to communicate, educate, and inform.

Positive Tech Environmental Effects of S. 156 / H.R. 743

A permanent tax moratorium helps more people to subscribe to broadband and promotes continued innovation on the 'Net:

- **Taxing Internet access widens the digital divide and limits the economic, educational and healthcare opportunities available to lower-income Americans.** Only 11 percent of households with incomes below \$30,000 have broadband service, compared to 61 percent of households with incomes above \$100,000. Economists have found that high prices prevent consumers from upgrading to broadband.
- **Taxing Internet access raises broadband costs for distance learning, interactive medicine, and new online business models.**
- **Broadband access increases opportunities for telework.** 59% of employees would prefer to work from home at least part-time. By 2008, 41 million employees globally may spend at least one day a week teleworking.
- **Internet access taxes will slow broadband deployment, particularly in rural and low-density areas.** Fewer consumers will buy a higher-priced taxed product. A smaller pool of potential customers means providers can't justify investment in new broadband infrastructure build-out.