

Multistate Tax Commission



Resolution No. 01-08

**Resolution Regarding Tax Fairness in the Proposed Federal Extension of the
“Internet Tax Freedom Act”**

WHEREAS, the Internet Tax Freedom Act expires on November 21, 2003; and

WHEREAS, the Act imposes a moratorium on the imposition of new taxes on charges for Internet access and prohibits multiple and discriminatory taxes on electronic commerce; and

WHEREAS, Congress may consider various measures to modify and extend the Act, including an extension of the moratorium on the imposition of taxes on charges for Internet access and the elimination of the existing grandfather clause that permits states that already imposed and enforced such taxes to continue to do so; and

WHEREAS, electronic commerce business models, technology and practices have changed significantly since the enactment of the Act in 1998, especially in the areas of “access” and “content”; and

WHEREAS, certain of those changes, when coupled with an extension of the Act, could have unintended consequences and expose state and local revenue systems to substantial adverse consequences; and

WHEREAS, sound tax policy demands that all forms of commerce be treated equally, and

WHEREAS, there is no economic reason to justify treating electronic commerce, or other forms of remote commerce more favorably than any other form of commerce; and

WHEREAS, extension of the Internet Tax Freedom Act would constitute a preemption of state authority that is traditionally considered unacceptable by many state officials; and

WHEREAS, the Multistate Tax Commission recognizes that, nonetheless, Congress may choose to extend the Act; now therefore, be it

RESOLVED, that if Congress chooses to extend the Act, the Multistate Tax Commission respectfully urges it to do so in accord with the following guidelines:

- The Act should be extended for not more than two years to insure a review of its impact on state and local revenues and the presence of unintended consequences.

- Any extension of the Act should preserve the grandfathered ability of those states currently imposing a tax on charges for Internet access to continue to do so if they so choose.
- The definition of Internet access contained in the Act should be rewritten to eliminate opportunities to bundle otherwise taxable content into a single package of Internet access in a manner that would prevent states and localities from imposing their taxes on the otherwise taxable content, thus preserving competitive equity among all forms of commerce.
- Any extension of the Act should not be accompanied by provisions or separate legislation that grants more favorable state and local tax treatment to commerce involving goods or services transferred, conducted or delivered by electronic or other remote means as compared to commerce involving goods or services transferred, conducted or delivered by other means.
- The definition of discriminatory taxes contained in the bill should be amended to insure that it does not allow a seller through affiliates to avoid a tax collection obligation in a state even though the seller has a substantial nexus in the state.

Adopted this 27th day of July, 2001 and amended August 2002 by the Multistate Tax Commission

Dan R. Bucks, Executive Director

This resolution, as amended, shall expire at the Annual Business Meeting of the Multistate Tax Commission in 2006.