January 12, 2016

Dear Senators,

Making the ban on Internet Access Taxes Permanent is a tremendous victory for all taxpayers. Thank you for including the Internet Tax Freedom Forever Act (ITFFA) in the Trade Facilitation and Trade Enforcement Act of 2015.

To stop Harry Reid's war on taxpayers, I urge you to vote for cloture, against point of order, and for the “customs” bill as a whole with ITFFA included.

It does not follow that online sales tax must be tied to ITFFA wherever it goes. The argument that all states need a new revenue offset, does not apply. Only seven states currently have access taxes. Hawaii, New Mexico, North Dakota, Ohio, South Dakota, Texas and Wisconsin are exempt from the current ban.

The Center on Budget and Policy Priorities estimates eliminating these taxes would amount to $561 million in aggregate savings to those taxpayers, Texas makes up $358 million for the $561 total. From the grandfathered states Senate Commerce Committee Chairman John Thune (R-S.D.), Sens. Ted Cruz (R-Texas), Rob Portman (R-Ohio) and Ron Johnson (R-Wis.) are sponsors of the legislation.

In terms of original intent, the Act was not necessarily based on the nascence of the Internet industry. It was based on the fact that the Internet is intrinsically multijurisdictional, thereby uniquely situated for multiple and discriminatory taxation.

The grandfathered states were intended to phase out their access taxes. However the grandfathering continued through subsequent reauthorizations giving the seven taxing states more time to phase out their taxes. States have not phased out the taxes on their own. There was never an intention to grandfather states in.

ITFFA does not exempt sales made on the Internet from taxation. Taxes for e-commerce must simply be taxed at the same state and local sales tax rate as non-Internet sales.

If online sales tax were to be considered as part of a package, it is more naturally aligned with Digital Goods Fairness, Mobile Workforce and Business Activity Tax Simplification. These are all tax nexus bills.

If you should have any questions or thoughts, please contact me, or Katie McAuliffe, Federal Affairs Manager, by phone, 202-785-0266, or by email, kmcauliffe@atr.org.

Onward,

Grover Norquist
President
Americans for Tax Reform