

The Honorable Mitch McConnell
U.S. Senate
Office of the Majority Leader
S-230, The Capitol
Washington, D.C. 20510

The Honorable Nancy Pelosi
U.S. House of Representatives
Office of the Speaker
H-232, The Capitol
Washington, D.C. 20515

The Honorable Charles E. Schumer
U.S. Senate
Office of the Minority Leader
S-221, The Capitol
Washington, D.C. 20510

The Honorable Kevin McCarthy
U.S. House of Representatives
Office of the Democratic Leader
H-204, The Capitol
Washington, D.C. 20515

Support S. 765 & H.R. 1725 the “Digital Goods and Services Tax Fairness Act of 2019”

Dear Majority Leader McConnell, Minority Leader Schumer, Speaker Pelosi, and Republican Leader McCarthy,

We urge you to support the Digital Goods and Services Tax Fairness Act of 2019, introduced by Senators John Thune (R-SD) and Ron Wyden (D-OR) and Representatives Steve Cohen (D-TN) and John Ratcliffe (R-Texas) as S. 3581 and H.R. 7058 respectively. This legislation would set up a framework for states to prevent duplicative and discriminatory taxation on the digital economy, if and only if, a state chooses to tax such commerce.

It is important to clarify that this bill would not mandate any state to tax a digital good or service, nor would it establish any sort of national sales tax on digital commerce. The framework provides legal certainty for how and when state and local taxes can be applied to the digital economy. The state in which a customer legally resides would determine the tax status of the digital transaction. It would also eliminate confusion for consumers and businesses by ensuring the taxation of a digital song or software downloads is the same as the tax rates imposed on music or software CDs purchased at the local store.

Given the unique way digital commerce is transacted, **it is currently possible for multiple states to claim the right to impose taxes on a given digital transaction, leaving the consumer potentially subject to multiple and duplicative taxes.** Congress has previously addressed a very similar disruptive tax situation with the use of mobile phones by clearly identifying which state has the right to tax wireless services. The existing state laws governing interstate commerce are outdated to the point where they cannot adequately address the complexities that surface in digital sales. Considering how rapidly the digital market is growing, the need for this legislation is imperative to provide a clear roadmap for states to follow, if they so choose, to fairly impose taxes on digital goods and services in today’s new economy.

This bill would also prevent discriminatory state and local taxes that single out digital goods and services merely because they are transmitted over the internet. Right now, states can choose to impose higher tax rates on digital subscriptions than are imposed on physical subscriptions. For example, a state could tax an online newspaper subscription at 5% and a physical subscription at 3%. If a product is subject to tax collection, it should not matter whether it is received digitally. This type of tax discrimination unfairly penalizes people participating in the digital economy.

Accordingly, **we urge you to enact the Digital Goods and Services Tax Fairness Act of 2019** before the end of this Congress.

Respectfully,

Grover G. Norquist
President
Americans for Tax Reform

Lisa B. Nelson
CEO
ALEC Action

Steve Pociask
President / CEO
American Consumer Institute

Ryan Ellis
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Andrew F. Quinlan
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Center for Freedom and Prosperity

Curt Levey
President
Committee for Justice

Matthew Kandrach
President
Consumer Action for a Strong Economy

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