

**National Governors Association
Council of State Governments
National Association of Counties
The U.S. Conference of Mayors
National League of Cities
International City/County Management Association
National Association of Telecommunications Officers and Advisors
Government Finance Officers Association
Federation of Tax Administrators
Multistate Tax Commission**

October 2, 2007

The Honorable John Conyers Jr.
Chairman
Judiciary Committee
U.S. House of Representatives
Washington, D.C. 20151

The Honorable Lamar S. Smith
Ranking Minority Member
Judiciary Committee
U.S. House of Representatives
Washington, D.C. 20151

The Honorable Linda T. Sánchez
Chairwoman
Subcommittee on Commercial and
Administrative Law
Judiciary Committee
U.S. House of Representatives
Washington, D.C. 20151

The Honorable Christopher B. Cannon
Ranking Minority Member
Subcommittee on Commercial and
Administrative Law
Judiciary Committee
U.S. House of Representatives
Washington, D.C. 20151

Dear Chairman Conyers, Representative Smith, Chairwoman Sánchez, and Representative Cannon:

Our organizations want to express our appreciation to you and the co-sponsors of the “Internet Tax Freedom Act Amendments Act of 2007 (H.R. 3678).” The Act addresses the principles we believe are necessary to a fair extension of the Internet tax moratorium in a manner that benefits consumers, is fair to industry and preserves existing state and local authority.

Any extension of the moratorium should be guided by three principles: be clear; be flexible; and do no harm. H.R. 3678 embodies these principles by first modernizing the definition of Internet access to make it clear that just because a product or service is delivered using the Internet does not mean that it becomes tax free. Absent such a change, state and local governments could lose billions as traditionally taxed goods and services migrate to the Internet.

Second, in recognition of the ever-changing nature of the Internet, the bill extends the law for four years. Such an extension ensures that Congress revisits the moratorium to correct any unintended consequences for state and local governments, consumers or industry.

Third, the bill does no harm by continuing long-standing grandfather provisions that preserve existing state and local revenues and maintaining certain general business taxes that were not intended to be part of the moratorium.

As the committee considers H.R. 3678, our organizations also urge Members to oppose amendments that violate the bill's core principles. Specifically, we call on Members to oppose amendments to lengthen the term of the moratorium or make it permanent; expand the scope of the moratorium beyond Internet access; or interrupt existing state and local revenue streams by terminating existing grandfather protections.

We also would like to work with you on several issues that could improve the bill. The provisions intended to insure that certain recently enacted general business taxes are not preempted propose administrative rules that are not clear and may negate the intended state tax exclusion. Section 6 could create serious consumer confusion and potentially preempt pending litigation. Finally, Section 3 of the bill will abruptly terminate a stream of budgeted revenues for certain states.

Again, we want to express our appreciation for your efforts. We believe that your legislation is a significant effort in the right direction of a fair extension of the Internet tax moratorium. We look forward to working with you and your staff on these suggestions.

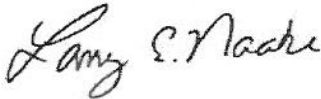
Sincerely,



Raymond O. Scheppach, Executive Director
National Governors Association



Daniel M. Sprague, Executive Director
Council of State Governments



Larry E. Naake, Executive Director
National Association of Counties



Tom Cochran, Executive Director
The U.S. Conference of Mayors



Donald J. Borut, Executive Director
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