

Honorable Daniel Inouye

Senator Ted Stevens

Dear Chairman Inouye and Senator Stevens:

Our organizations strongly urge the members of the Senate Commerce, Science and Transportation Committee to support S. 1453, the "ITFA Extension Act of 2007." Introduced by Senators Carper, Alexander, Feinstein, Enzi and Voinovich, the bill calls for a reasonable extension of the Internet Tax Freedom Act that would benefit consumers, be fair to industry and preserve existing state and local authority.

Any extension of the moratorium should be guided by three principles: be clear; be flexible; and do no harm. S. 1453 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 S. 1453, our organizations also urge senators 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.

Federal moratoriums on state and local taxation unnecessarily interfere with the authority of state and local elected officials to locally manage revenue systems – a core tenet of our federal system. S. 1453 represents a balanced compromise between ending the moratorium and making the current and outdated moratorium permanent.

We ask that you express your support for consumers and for your state and local governments by supporting S. 1453.