

**MEMO# 9967**

May 26, 1998

## **HOUSE COMMERCE COMMITTEE APPROVES INTERNET TAX MORATORIUM**

[9967] May 26, 1998 TO: BOARD OF GOVERNORS No. 38-98 FEDERAL LEGISLATION  
MEMBERS No. 11-98 PRIMARY CONTACTS - MEMBER COMPLEX No. 46-98 PUBLIC  
INFORMATION COMMITTEE No. 20-98 RE: HOUSE COMMERCE COMMITTEE APPROVES  
INTERNET TAX MORATORIUM

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On May 14, the House Commerce Committee unanimously approved H.R. 3849, the "Internet Tax Freedom Act," legislation that was introduced by Representatives Christopher Cox (R-CA) and Rick White (R-WA) on May 13. The bill would place a three-year moratorium on certain state and local taxes levied on Internet activities. H.R. 3849 would prohibit for three years the imposition of "multiple" or "discriminatory" taxes on electronic commerce, bit taxes, and taxes on Internet access or online services; the bill specifically provides for extending the latter provision permanently. Under a grandfather clause, certain state taxes could continue only if the state legislature enacts a law to expressly impose such a tax within a year of the bill's enactment. H.R. 3849 would also prohibit state and federal regulators from setting Internet access and online service fee levels. A key provision of the legislation calls for the creation of the 29-member Advisory Commission on Electronic Commerce, which would be tasked to develop a template for a tax system that would be conducive to the growth of Internet commerce. The bill would require expedited congressional consideration of recommendations based on the commission's report. The President would also be directed to seek international agreements to ensure that Internet activities are free from undue and discriminatory regulation by foreign governments. The legislation will next be considered by the House Judiciary Committee. A similar bill, S. 442, was approved by the Senate Commerce Committee last year and may be brought for a vote in the full Senate in June. We will keep you informed of further developments. Matthew P. Fink President

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