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GFOA: House Judiciary Committee Approves State and Local Tax Preemption Legislation.

The House Judiciary approved the GFOA-opposed Permanent Internet Tax Freedom Act, H.R. 3086, which would permanently preempt state and local governments' authority to assess taxes on Internet access and pave the way for other industries to argue that they too deserve special protections from state and local taxation. Rep John Conyers (D-MI), the committee's ranking member, offered a GFOA-supported amendment to extend the moratorium for an additional four years, rather than making it permanent; he argued that a permanent extension is unwarranted because the Internet is no longer a nascent industry needing unlimited federal tax protection to grow and prosper. The amendment, while supported by many committee members, was not approved. In addition, if the bill becomes law, ten states that currently have the authority to tax Internet access under the Act's 1998 grandfather clause would lose that authority, as this original grandfather provision would expire as part of H.R. 3086. Seven of these ten states, including Hawaii, New Mexico, North Dakota, Ohio, South Dakota, Texas, and Wisconsin, currently tax Internet access. The loss of revenue for these states from the elimination of the grandfather provision is estimated at half a billion dollars a year.

Thursday, June 26, 2014

In the coming weeks, H.R. 3086 is expected to be considered by the full House. GFOA members should continue to urge their Congressional delegations to support a fair, short-term extension of the Internet tax moratorium, rather than a permanent moratorium, and to retain the long-standing grandfather provisions.

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