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GFOA Provides Comments as House Judiciary Committee Considers Digital Tax Legislation.

On June 2 the GFOA provided joint comments to members of the House Judiciary Committee, which is holding a hearing on the Digital Goods and Services Tax Fairness Act of 2015 (HR 1643) and the Business Activity Tax Simplification Act of 2015 (HR 2584). The GFOA, along with our colleagues at the National League of Cities, U.S. Conference of Mayors and National Association of Counties has significant concerns with each of these bills.

The Digital Goods legislation would significantly reduce state and local revenues by preempting the taxation of purchases such as downloaded music, movies and online services. One very concerning aspect of the bill is language that would define digital service in such a way as to exclude from local cable franchise fee revenues generated from on-demand and pay-per-view services. With the increasing popularity of these services, local governments would lose millions of dollars in revenues currently allocated for a variety of purposes, including supporting public safety and educational needs, as well as providing park, community center and library space and facilities.

The Business Activity Tax legislation would mandate the use of a physical presence standard for determining whether a state or locality can assess a tax on a company. The bill represents an unwarranted federal intrusion into state and local affairs that would allow companies to avoid and evade taxation, increase the tax burden on small businesses and individuals, alter established constitutional standards for state taxation, and cost billions of dollars in existing state and local tax revenue.

In addition to our joint comments, the National Governors Association (NGA) also testified at the hearing. The full testimony of NGA Executive Director Dan Crippen is available [here](#). The GFOA will be organizing advocacy materials for our members to use in engaging their federal elected leaders on these bills, which will be available on our Federal Government Relations page in the coming weeks.

[Download Sales Tax and Government Preemption Legislation Letter.](#)