



# THE UNITED STATES CONFERENCE OF MAYORS

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Executive Director:  
TOM COCHRAN

October 14, 2003

The Honorable Charles Grassley  
United States Senate  
135 Hart Senate Office Building  
Washington, D.C. 20510

Dear Senator Grassley:

On behalf of The United States Conference of Mayors, we are writing to express concerns about S. 150, the Internet Tax Non-Discrimination Act. As reported by the Senate Commerce Committee, we believe this proposal could well be interpreted to prohibit local governments from collecting taxes on telecommunication services. This could result in significant revenue losses for state and local governments at a time when many are experiencing the worst fiscal crisis since World War II. We strongly urge you to amend the bill to clarify that the moratorium only applies to Internet access and not to telecommunication services or products, or to franchise or right-of-way fees.

The language in the current moratorium provides that Internet access "does not include telecommunication services." The bill would change this to "does not include telecommunication services except to the extent that such service is used for Internet access." While this change was made to ensure that the moratorium does not favor one form of technology over another, the language is overly broad and may be interpreted to include telecommunication services that we currently tax. We believe this ambiguity will only add to uncertainty for industry and consumers, encourage litigation, and expose state and local governments to unanticipated revenue losses they cannot afford.

As reported by the Senate Commerce Committee, S. 150 is unacceptable. We understand that the existing moratorium will expire in less than three weeks. Still, it is imperative that Congress precisely clarify the scope of the moratorium before extending or making it permanent. A six-month or one year extension of existing law may be necessary to provide Congress the opportunity to develop precise language to protect the interest of both industry and local government. This would also provide the Senate Finance Committee, which has received

joint referral of the bill, time to evaluate the impact of altering the Internet Tax Freedom Act on state and local revenues.

Thank you for your consideration. Please feel free to contact Conference Executive Director Tom Cochran or Larry Jones of the Conference legislative staff if you have any questions.

Sincerely,

MAYOR

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