

FOR IMMEDIATE RELEASE

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***TeleCommUnity Alliance Objects to S.150,
Praises Sen. Alexander's Statement***

WASHINGTON, DC — A coalition of cities and counties dedicated to preserving local governments' interests in federal telecommunications policymaking has serious reservations about S. 150, the "Internet Tax Non-Discrimination Act."

The TeleCommUnity Alliance wants Congress to understand that the industry is misrepresenting the concerns of local governments. It also wants to clarify that the industry seeks to use what was to be a simple extension of the Internet moratorium to eliminate taxes that the industry has traditionally paid.

"Local governments are not opposed to the extension of the Internet Tax moratorium. But we are opposed to S. 150, as it would expand the types of services and companies that are exempt from taxes" explained Montgomery County, Maryland, Council Member Marilyn Praisner, chair of the TeleCommUnity Alliance.

Council Member Praisner continued: "Local governments do not seek to tax e-mail, as some would have the public believe. We are concerned that S. 150 threatens local governments' existing rights to collect fair rent for the use of the public's rights-of-way and to use broad based and nondiscriminatory taxes to support local government's first responders, make local infrastructure investments and operate our schools."

Council Member Praisner also praised a floor statement made by Senator Lamar Alexander on the issue. "We believe the manner in which Senator Alexander framed the issue is the correct formulation of the question before the Senate," she said. "Senator Alexander challenged his colleagues that unless they 'want to transfer responsibilities for local schools, colleges, prisons, state parks and roads to Washington DC ... [they have] no business telling state and local governments how they can pay the bill for legitimate services.'"

The TeleCommUnity Alliance is urging lawmakers to extend the Internet tax moratorium for 18 months, during which time TeleCommUnity pledges to work with the bill's authors to determine what, if any, additional changes to the moratorium are warranted.

(Eds: For more information about TeleCommUnity, visit: www.telecommunityalliance.org. A copy of Sen. Alexander's statement is attached.)

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The PRESIDING OFFICER. The clerk will call the roll. The assistant legislative clerk proceeded to call the roll.

Mr. ALEXANDER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ALEXANDER. I ask unanimous consent that I be allowed to speak as in morning business for 10 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Internet Tax Freedom Act

Mr. ALEXANDER. Mr. President, in our political speeches, Senators, especially we Republicans, have a lot to say in defense of the Tenth Amendment, that all powers not expressly given to the central government are reserved to the States. We are big talkers about local control, about State responsibilities, and about State rights.

Somehow, when we get to Washington and away from home, a lot of that goes up in smoke. We start thinking of grand ideas and sending State and local governments the bill to pay for our grand ideas. Special education for children with disabilities, but we say to the State and local governments, you pay the bill. New construction to stop storm water runoff, but we say to the cities, you pay the bill. Higher standards for roads, we say to the States, you pay the bill. New standards for highly qualified teachers, you pay the bill. We call these unfunded mandates.

What I want to talk about today is the worst kind of unfunded mandate. Not only do we have grand ideas and are telling State and local governments that they have to pay for them, we now want to tell them how to pay for them. The latest such example is to tell State and local governments that a tax on Internet access or telephones is somehow a worse tax, a bad tax they should not be allowed to pursue, than a tax on medicine, food, or an income tax.

I supported a moratorium for 7 years on State and local access to the Internet so the Internet could get up and get going, but now it is up and going. It ought to be absolutely on its own with other commercial activity. Yet our friends in the House of Representatives and some in the Senate would not only extend the moratorium on State and local taxes on Internet access, they would broaden it.

This is none of the Congress's business. It is a State and local responsibility to decide how to pay the bill to fund State parks, local schools, roads, prisons, colleges, and universities. That is what Governors do. That is what legislators do. That is what mayors do. That is what county commissioners and city council men and women do.

The inevitable result of such unfunded mandates from Washington, DC, telling States what taxes they can and cannot use, is to transfer more government to Washington, DC, because here we can print money to pay for it. It sounds awfully good to say we are banning a tax, but what we are actually doing is favoring one tax over another tax with the decision made in Washington, DC.

For example, if Tennessee's ability to have a broad-based sales tax is limited, then the chances that Tennessee will have an income tax are higher, or a higher tax on medicine or food, or higher college tuition for families to pay. The same goes for Florida, Texas, Washington State, or any other State.

Some say this interference in State prerogatives and local prerogatives is justified by the interstate commerce clause of the Constitution, and that the Internet is too important to carry its fair share of the taxes. I ask: Is access to the Internet more important than food? If not, then why not limit the State sales tax on food, medicine, electricity, natural gas, water, corporations generally, car tags, telephones, cable TV? They are all in interstate commerce. Let us limit the tax on all of them from Washington, DC.

Unless we want to get rid of State and local governments and transfer all responsibilities for local schools, colleges, prisons, State parks, and roads to Washington, DC, and claim all wisdom resides here, then we have no business telling State and local governments how they pay the bill for legitimate services.

We should read the Tenth Amendment to the Constitution and get back to our basic job of funding war, welfare, Social Security, Medicare, and debt. And leave decisions about what services to provide and what taxes to impose to State and local governments and to State and locally elected officials.

Under the rules of the Senate, because this bill imposes costs on States without paying for them, it is an unfunded mandate and subject to a point of order to pass this bill that would extend the moratorium on State and local ability to tax access to the Internet.

In its cost estimate of September 9, 2003, the Congressional Budget Office determined that S. 150, as reported by the Commerce Committee, would impose direct costs on State and local governments of lost revenues of \$80 million to \$120 million per year beginning in 2007. Because the estimate exceeds the threshold of \$64 million for 2007, this is an intergovernmental mandate, subject to a point of order. According to the Multi-state Tax Commission, the bill has the potential to exempt telephone and cable companies from a broad array of State and local taxes that could amount to an unfunded mandate on State and local governments of up to \$9 billion a year. Every Senator who votes to overturn the point of order to this bill would be voting for an unfunded mandate, which most of us have promised not to do. Let the moratorium on access to the Internet die a well-deserved and natural death when it expires on November 1 and let us remember the Republican Congress 10 years ago promised to end unfunded mandates.