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National Cable & Telecommunications Association

www.ncta.com June 2007

TOPIC: Taxing the Internet -- How Long Should the Moratorium Last? PERMANENTLY!

NCTA supports S.156 and H.R. 743, the *Permanent Internet Tax Freedom Act of 2007*, which would make the existing moratorium on Internet taxation permanent. Congress first passed the Internet Tax Freedom Act (ITFA) in 1998. The moratorium was extended in 2001 and 2004 and expires on November 1, 2007. The moratorium needs to be made permanent to ensure that the Internet -- a critical component of the American economy -- is not the target of excessive taxes imposed by state and local governments.

ÿ **S. 156 / H.R. 743 would make permanent the current moratorium on Internet taxes and unfair taxes on electronic commerce.** Current law ensures that states cannot tax Internet access services, regardless of the technology used to provide them. It also bans multiple and discriminatory taxes on electronic commerce. Permanently preventing the taxation of Internet access is critical if Congress wishes to advance its bipartisan goal of ubiquitous broadband deployment and affordable Internet access for all Americans.

ÿ **Permanently extending the Internet tax moratorium will broaden the reach of technology and help eliminate the Digital Divide.** Over the last eight years, electronic commerce has become a critical engine for economic growth as the number of Americans who can access the Internet has increased. To enhance future growth and strategically position the nation to compete in the global economy, the moratorium should be permanently extended. The moratorium also helps to ensure that all Americans can have affordable access to the Internet and promotes broadband deployment in rural and outlying areas that may lack high-speed Internet access. Finally, the Internet is a gateway to entrepreneurship, regardless of race, income, or neighborhood. Higher taxes on Internet services will stifle the ability of small businesses to operate, grow, and create new jobs.

ÿ **Permanently extending the Internet tax moratorium encourages investment in the digital economy.** The technology sector continues to invest billions in developing high-speed Internet access services. Cable alone has invested more than $110 billion of private risk capital to upgrade its facilities and introduce high speed cable modem service since Congress passed the pro-competitive, deregulatory Telecommunications Act of 1996. Taxes that impede consumer demand for Internet access and taxes on new technologies discourage new investments.

ÿ **S. 156 / H.R. 743 should be amended to clarify the definition of Internet access to cover all the services as intended by Congress in enacting the original moratorium and in subsequent amendments.** This is necessary because state and local governments continue to look for creative ways to try to tax Internet access services.

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