



February 3, 2016

The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Harry Reid
Minority Leader
United States Senate
Washington, DC 20510

Dear Majority Leader McConnell and Minority Leader Reid:

On behalf of America's 3,069 counties, the National Association of Counties respectfully requests that you oppose any permanent extension of the Internet Tax Freedom Act (ITFA), such as the proposal included in the conference report on H.R. 644. Any extension of ITFA should only be temporary in nature in accord with the intent of the law when it was enacted in 1998.

ITFA was originally designed to foster the then fledgling Internet by temporarily suspending new taxes on Internet access and – out of respect for state and local government authority – it was set to expire after two years. Eighteen years later, it is hard to argue that the Internet still needs protection because it is now a ubiquitous element of everyday life and the global marketplace. However, subsequent extensions of ITFA were temporary, as the original intent of the law was to compel Congress to periodically revisit whether the benefit of providing preferential treatment to one particular industry outweighed the cost of preempting state and local government authority. The fact that the Internet has thrived in the states and localities that have been able to tax Internet access since proves that any extension, much less a permanent extension, is no longer necessary.

We are not advocating for counties or our state and local government partners to tax Internet access; we are asking Congress not to indefinitely preempt the authority of state and local governments to set our own tax policies.

Counties rely on taxes to provide critical services, such as fire, public safety, education, and infrastructure to foster economic competitiveness. But today, as telecommunications and video services rapidly shift to the Internet, a permanent extension of ITFA would eliminate existing and future revenue that help to fund those critical services. In many instances, counties are mandated to provide a greater number of services, all while facing greater state and federal restrictions on generating revenue.

Furthermore, we are concerned that Congress is willing to consider a permanent extension of ITFA, a federally imposed prohibition on state and local taxing authority, but is not willing to take up legislation to level the playing field for retailers and consumers, such as the Marketplace Fairness Act or the Remote Transactions Parity Act. Enactment of remote sales tax collection legislation would restore budget autonomy to state and local governments and would ensure that competition, not a tax



loophole, determines who succeeds in the marketplace. The legislation is not a new tax, but would require states to simplify their sales taxes and ease compliance in return for the authority to collect the billions of dollars in taxes that are already owed. These revenues will be used to reduce other taxes as well as be allocated for investments in infrastructure improvements, education advancements and public safety. Passage of MFA or RTPA will also benefit the small businesses on our Main Streets, as they are vital members of our communities that are currently at a competitive disadvantage with online retailers that do not have to collect the taxes.

Therefore, we urge you to oppose permanently extending ITFA. But if any extension is considered, Congress must finally, after more than two decades, join with state and local officials to ensure fair competition and preserve state and local authority by providing remote sales tax collection authority to state and local governments.

Thank you for your consideration of these issues.

Sincerely,

Matthew D. Chase
Executive Director