

June 17, 2015

The Honorable Bob Goodlatte
Chairman
House Committee on the Judiciary
2138 Rayburn House Office Building
Washington, DC 20515

The Honorable John Conyers
Ranking Member
House Judiciary Committee
B-351 Rayburn House Office Building
Washington, DC 20515

Re: Sales Tax and Government Preemption Legislation

Dear Chairman Goodlatte and Ranking Member Conyers:

As the House Judiciary Committee considers the Digital Goods and Services Tax Fairness Act (Digital Goods) and the Business Activity Tax Simplification Act (BATSA), we are writing to reiterate our concerns with these measures. We are disappointed that the Committee is taking up these bills before considering legislation to solve the issue of remote sales tax collection. We urge the Committee to move forward on remote sales tax legislation soon.

The inability to require remote sellers to collect the legally imposed taxes on remote sales transactions to their residents resulted in an estimated \$23 billion loss of revenue for states and local governments in 2012, an amount that continues to increase with the growth of online sales. Because state and local governments rely heavily on the revenues from sales and use taxes to provide critical services to our constituents, the loss of this revenue has significant impacts on the communities we serve. In addition, this inability to compel online retailers to collect taxes that are already owed is unfair to our local brick and mortar retailers who must do so. Therefore, we request that the Committee take action now in support of a destination-based sourcing solution that will enable state and local governments to resolve this serious issue.

Our comments on the Committee's Digital Goods and BATSA legislation are as follows:

The Digital Goods and Services Tax Fairness Act of 2015 (H.R. 1643) 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. Local government associations, such as ours have reached out to your staff, as well as representatives from the telecommunications industry, with proposed changes to this legislation to ensure that state and local franchise fees are protected. We hope that these conversations can continue and that these proposed changes to H.R. 1643 are accepted; otherwise, we would have no choice but to oppose the measure.

The Business Activity Tax Simplification Act of 2015 (H.R. 2584) 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. For these reasons, we oppose this legislation.

Thank you for your consideration of these comments. We look forward to working with you as the Committee begins consideration of these measures.

Sincerely,

Government Finance Officers Association, Dustin McDonald, 202-393-0208
National Association of Counties, Mike Belarmino, 202-942-4254
National League of Cities, Priya Ghosh Ahola, 202-626-3023
The U.S. Conference of Mayors, Larry Jones, 202-861-6709
National Association of Telecommunications Officers and Advisors, Steve Traylor, 703-519-8035

Cc: The Honorable Jim Sensenbrenner

The Honorable Lamar Smith
The Honorable Steve Chabot
The Honorable Darrell Issa
The Honorable J. Randy Forbes
The Honorable Steve King
The Honorable Trent Franks
The Honorable Louie Gohmert
The Honorable Jim Jordan
The Honorable Ted Poe
The Honorable Jason Chaffetz
The Honorable Tom Marino
The Honorable Trey Gowdy
The Honorable Raul Labrador
The Honorable Blake Farenthold
The Honorable Doug Collins
The Honorable Ron DeSantis
The Honorable Mimi Walters
The Honorable Ken Buck
The Honorable John Ratcliffe
The Honorable Dave Trott
The Honorable Mike Bishop
The Honorable Jerrold Nadler
The Honorable Zoe Lofgren
The Honorable Shelia Jackson Lee
The Honorable Steve Cohen
The Honorable Hank Johnson

The Honorable Pedro Pierluisi
The Honorable Judy Chu
The Honorable Ted Deutch
The Honorable Luis Guterrez
The Honorable Karen Bass
The Honorable Cedric Richmond
The Honorable Suzan DelBene
The Honorable Hakeem Jeffries
The Honorable David Cicilline
The Honorable Scott Peters