

106TH CONGRESS
2^D SESSION

H. R. 4460

To amend the Internet Tax Freedom Act to extend the moratorium applicable to State and local taxes on Internet access and electronic commerce; and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 16, 2000

Mr. HYDE (for himself, Mr. CONYERS, Mr. GEKAS, and Mr. NADLER) introduced the following bill; which was referred to the Committee on the Judiciary

A BILL

To amend the Internet Tax Freedom Act to extend the moratorium applicable to State and local taxes on Internet access and electronic commerce; and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Internet Tax Sim-
5 plification Act of 2000”.

6 **SEC. 2. AMENDMENTS.**

7 (a) **MORATORIUM AMENDMENT.**—Section 1101(a) of
8 title XI of division C of Public Law 105–277 (112 Stat.

1 2681–719; 47 U.S.C. 151 note) is amended to read as
2 follows:

3 “(a) MORATORIA ON STATE AND LOCAL TAXES ON
4 THE INTERNET.—No State or political subdivision thereof
5 shall impose any of the following taxes:

6 “(1) Taxes on Internet access during the period
7 beginning on October 1, 1998, and ending on Octo-
8 ber 1, 2006, unless such tax was generally imposed
9 and actually enforced prior to October 1, 1998.

10 “(2) During the period beginning on October 1,
11 1998, and ending on December 31, 2003, multiple
12 or discriminatory taxes on electronic commerce.”.

13 (b) STREAMLINED UNIFORM SALES AND USE TAX.—
14 Title XI of division C of Public Law 105–277 (112 Stat.
15 2681–719; 47 U.S.C. 151 note) is amended—

16 (1) by redesignating section 1104 as section
17 1109; and

18 (2) by inserting after section 1103 the fol-
19 lowing:

20 **“SEC. 1104. DEVELOPMENT OF STREAMLINED UNIFORM**
21 **SALES AND USE TAX ACT.**

22 “It is the sense of the Congress that, not later than
23 January 1, 2004, States and political subdivisions of
24 States should work cooperatively with the National Con-
25 ference of Commissioners on Uniform State Laws (in this

1 section referred to as the ‘Conference’) to develop and
2 draft a Streamlined Uniform Sales and Use Tax Act
3 that—

4 “(1) is characterized by simplicity, uniformity,
5 neutrality, efficiency, and fairness; and

6 “(2) includes, but is not limited to—

7 “(A) a centralized, one-stop registration
8 system;

9 “(B) uniform tax base definitions;

10 “(C) uniform and simple sourcing rules;

11 “(D) uniform exemption administration
12 rules (including a database of all exempt enti-
13 ties and removal of the ‘good faith’ acceptance
14 rule);

15 “(E) appropriate protection of consumer
16 privacy;

17 “(F) a methodology for certifying software
18 used in the sales tax administration process for
19 tax rate and taxability determinations;

20 “(G) uniform bad debt rules;

21 “(H) uniform tax returns and remittance
22 forms;

23 “(I) consistent electronic filing and remit-
24 tance methods;

1 “(J) State administration of all State and
2 local use taxes on sales by sellers that are not
3 physically present in a State, to purchasers that
4 are physically present in such State, with dis-
5 tribution of revenues to political subdivisions of
6 such State according to precedent and applica-
7 ble State law;

8 “(K) uniform audit procedures;

9 “(L) reasonable compensation for such
10 sellers that reflects the complexity of the tax
11 structure of such State (including the tax struc-
12 tures of political subdivisions of such State);
13 and

14 “(M) an appropriate sales volume thresh-
15 old below which such sellers that are small busi-
16 nesses would not be required to collect use
17 taxes payable on sales to purchasers that are
18 physically present in such State.

19 **“SEC. 1105. INTERSTATE SALES AND USE TAX COMPACT.**

20 “(a) AUTHORIZATION AND CONSENT.—States are
21 authorized to enter into an Interstate Sales and Use Tax
22 Compact, and Congress hereby consents to such a com-
23 pact. The Compact shall provide that member States agree
24 to adopt a uniform, streamlined uniform sales and use tax
25 system consistent with section 1104(a).

1 weighted average of State and local taxes across such
2 State.

3 **“SEC. 1107. AUTHORIZATION TO REQUIRE COLLECTION OF**
4 **USE TAXES.**

5 “(a) GRANT OF AUTHORITY.—(1) A State that has
6 adopted the streamlined uniform system prescribed by the
7 Compact referred to in section 1105 of this title is author-
8 ized to begin collecting use taxes on remote sales by Janu-
9 ary 1, 2004, or by the date of adoption of the Compact,
10 whichever is earlier.

11 “(2) Paragraph (1) shall not apply to a State that
12 does not choose to simplify its tax collection system.

13 “(3) A State that neither simplifies its sales and use
14 tax system nor meets the criteria specified in section
15 1104, by December 31, 2001, may adopt the streamlined
16 uniform system prescribed by the Compact and begin col-
17 lecting use taxes on remote sales with any succeeding cal-
18 endar year by meeting such criteria.

19 “(b) NO EFFECT ON NEXUS.—No obligation imposed
20 by virtue of authority granted in subsection (a) shall be
21 considered in determining whether a seller has a nexus
22 with any State for any tax purpose.

23 “(c) DEFINITION OF REMOTE SALE.—For purposes
24 of this section, the term ‘remote sale’ means a sale by a

1 seller that is not physically present in a State, to a pur-
2 chaser that is physically present in such State.

3 **“SEC. 1108. LIMITATIONS.**

4 “Nothing in this Act shall be construed as subjecting
5 sellers to sales taxes, franchise taxes, income taxes, or li-
6 censing requirements of a State or political subdivision
7 thereof, nor shall anything in this Act be construed as af-
8 fecting the application of such taxes or requirements or
9 enlarging or reducing the authority of any State or polit-
10 ical subdivision to impose such taxes or requirements.”.

11 **SEC. 3. SENSE OF THE CONGRESS REGARDING STATE AND**
12 **LOCAL TELECOMMUNICATIONS TAXES.**

13 It is the sense of the Congress that States and polit-
14 ical subdivisions of States should continue to work coop-
15 eratively with the telecommunications industry and other
16 relevant groups—

17 (1) to dramatically reduce the complexity and
18 cost of complying with State and local telecommuni-
19 cations taxes;

20 (2) to create more uniform telecommunication
21 State tax laws that include the adoption of common
22 definitions and sourcing rules; and

23 (3) to address taxes that appear to be discrimi-
24 natory toward the telecommunications industry.

1 **SEC. 4. CONFORMING AMENDMENTS.**

2 (a) CROSS REFERENCE IN THE TRADE ACT OF
3 1974.—Section 181(d) of the Trade Act of 1974 (19
4 U.S.C. 2241(d)) is amended by striking “section 1104(3)”
5 and inserting “1109(3)”.

6 (b) OTHER CROSS REFERENCE.—Section 1203(c) of
7 division C of Public Law 105–277 (112 Stat. 2681–727;
8 19 U.S.C. 2241 note) by striking “section 1104(3)” and
9 inserting “1109(3)”.

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