

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

INTERNET TAX FREEDOM ACT

Mr. WYDEN. Madam President, we had a thoughtful discussion on the floor of the Senate earlier today with Senator MCCAIN and Senator DORGAN especially with respect to the high-tech issues that will be coming up over the course of this week.

In a sense, it is ironic that we call it high-tech week here. I am very pleased that Senator LOTT and Senator DASCHLE have been able to get an agreement to deal with these issues. And, in a sense, we are going to be dealing with high-tech issues all year round as we face the 21st century. It is not going to be something that we look at just from time to time, but it will essentially dominate, in my view, debate about public policy in the years ahead. And I am particularly hopeful that this week we will have an opportunity on the Senate floor to debate the Internet Tax Freedom Act which, as our Presiding Officer knows, was debated at some length in the Senate Commerce Committee earlier this year.

My sense is that these tax issues are especially important because it is so critical that our country lay out a set of ground rules, a set of principles that will address the question of taxation and the digital economy.

Right now, you can live in the Dakotas, and if you want to send a tasty fruit basket from a company in Oregon, you can order it on line, say, from a firm in Virginia, and pay for it with a Florida bank card, and you can end up absolutely baffled with respect to how many jurisdictions may be in a position to impose taxes on this particular transaction.

We have already heard in testimony before the committee that the uncertainty surrounding these transactions has caused some businesses to go under. In particular, we heard from a small business in Tennessee about the problem. The Wall Street Journal recently reports in a Peat Marwick survey that many financial executives are uncertain with respect to how transactions will be handled in cyberspace. This has contributed to uncertainty and reluctance to go forward and do business on line.

Recently, one of the prominent analysts, a firm by the name of Vertex, cited several States where it was really impossible to know how to proceed with respect to electronic commercial transactions because, in effect, the rules were so fluid that you would have to get an interpretation of tax law that really was not written.

So I and others have introduced the Internet Tax Freedom Act. And its purpose is simple. That is to give consumers and businesses engaged in electronic commerce a timeout from discriminatory taxes so that our country can develop a fair and reasonable policy on Internet taxation.

And we are very proud of the strong bipartisan support that this effort has received. Governor George Bush, for example, from the State of Texas, has recently spoken out on this issue. Our colleague, Senator PAT LEAHY of Vermont, Steve Forbes—the list of supporters for this effort literally spans the spectrum.

I believe that the reason it has been possible to generate such strong bipartisan support for the Internet Tax Freedom Act is that during this period where there will be a bar on discriminatory taxes on electronic commerce, all other forms of taxation that are used in the regular course of business would be allowed to go forward. So during the period when our country tries to develop a set of ground rules for taxation of electronic commerce—all of the property taxes, all of the sales taxes, all of the use taxes, all of the business license fees that are non-discriminatory—would stay in place.

For our colleagues that have been following this issue, it is all laid out very specifically in section 3 of our legislation. For example, under our legislation if Mr. Brown in South Dakota picks up the phone and orders a sweater from J.C. Penney in Illinois he would pay the same sales tax as if he walked into J.C. Penney in Sioux Falls, SD. South Dakota taxes sales of goods over the Internet the same as sales of tangible personal property through more traditional channels. Exactly the same treatment for a transaction, whether it is conducted over the Internet or whether it is conducted through more traditional means.

Going further, if you are a chef in Charleston, SC, and you order a new saucepan from Williams-Sonoma in California, under our legislation you would pay the same sales tax as if you walked in to the Williams Sonoma shop in Charleston. South Carolina taxes sales of goods over the Internet the same as sales of tangible personal property through more traditional channels.

Now, there has been an effort by some to say that this legislation would in some way harm Main Street. The fact of the matter is that Main Street has overwhelmingly come out for this legislation. I will append to my statement a long list of the business groups that support the legislation, but every Member of the U.S. Senate has received a letter from the Chamber of Commerce in recent days with a ringing endorsement of the Internet tax freedom legislation. And the reason for this very strong support, in my view, is that Main Street business has come out strongly for the legislation. I believe the reason that Main Street businesses are so strongly supporting the Internet Tax Freedom Act is that for them, the opportunity to do business on-line ensures that geography will be irrelevant in the 21st century.

A lot of those small businesses on Main Street in rural America—and I represent many of them in the State of

Oregon—do have difficulty competing today in the global marketplace. One of the reasons they do is because geography is a very big barrier in terms of their ability to tap the global economy. With the Internet Tax Freedom Act ensuring that they are treated fairly both during this period when there is an effort to come up with new ground rules, and for the 21st century, we give new opportunity to those small Main Street businesses across America. I believe that is why they have endorsed this legislation so strongly.

If ever there was an issue that was appropriate for the U.S. Senate to deal with, it is this question. This is what article 1 of our Constitution is all about. We have 30,000 taxing jurisdictions in America. I believe it is fair to say that if a fair number of these taxing jurisdictions go forward and levy taxes on electronic commerce, in a discriminatory way this will do enormous damage to what I believe will be the business infrastructure of the 21st century.

Senator MCCAIN and Senator DORGAN, as I said, had a very thoughtful discussion of the potential of Internet commerce in the years ahead. But let us make no mistake about it, if these small businesses all across this country are going to suddenly have to put on accountants and various kind of tax specialists to figure out what kind of taxes they owe in various local jurisdictions across this country, this will damage electronic commerce and the ability of the small businesses to compete in a profound way.

If you have a two-person operation, a two-person business operating out of an individual's home, and they are somehow supposed to collect scores of different sales and property taxes across this country there is going to be enormous confusion just as we see the electronic marketplace take off. I know no Member of the U.S. Senate wants to see that happen.

The bottom line is that the Internet Tax Freedom Act applies only to those taxes that are not technologically neutral. Only those taxes that single out the Internet would be affected, and every business in America would still have to pay its share of taxes. So if a State has a 3-percent sales tax that a customer has to pay the State when walking into a store to purchase a product, under the Internet Tax Freedom Act, section 3 specifically, the State can, in fact, charge a 3-percent sales tax on goods ordered over the Internet.

I am very hopeful that there will be an opportunity to debate this issue on the floor of the U.S. Senate. A number of my colleagues, Senator DORGAN specifically, have important issues that they want to raise. I and other sponsors of this legislation have sought to address many of them. But I believe this is one of the most important issues that this Senate could be dealing with because it is going to frame the ground work for the digital economy in

the 21st century and it is important that all businesses are treated fairly.

It is also important that the U.S. Senate realize the damage that can be done if you continue to see a growth in the kind of confusion that the Vertex Company has pointed out with respect to the inability of businesses to get answers. We will damage Internet commerce if we see more small businesses like the Tennessee businessman who testified before the Commerce Committee that he went out of business because of the confusion on the part of his State with respect to how electronic commercial transactions ought to be handled.

No Member of the U.S. Senate wants to see that happen. We have an opportunity to get this issue with respect to the digital economy right. We have a chance to take a timeout from discriminatory taxes, come up with a policy for Internet taxation that is fair and makes sense. Let's not kill the Internet goose that is showing the capacity to lay an extraordinary number of golden eggs.

I hope we will have a chance to discuss this issue at great length throughout the course of the week. I especially want to thank my colleagues, Senator MCCAIN, the chairman of the Senate Commerce Committee, who has worked diligently with me on this legislation for more than a year; my colleague, Senator DORGAN, who does have questions about this legislation but has always been very fair in terms of raising them. I am very hopeful we will have a chance to debate and vote on this legislation during the course of this week.

I yield the floor.

The PRESIDING OFFICER (Mr. AL-LARD). The Senator from Florida.

Mr. GRAHAM addressed the Chair.

The PRESIDING OFFICER. The Senator from Florida is recognized.

PRIVILEGE OF THE FLOOR

Mr. GRAHAM. Mr. President, I ask unanimous consent that Dr. Susan Goodman be granted floor privileges during the duration of my remarks.

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

Mr. GRAHAM. Mr. President, what is the current time limitation for speaking as in morning business?

The PRESIDING OFFICER. Ten minutes is the time limit.

Mr. GRAHAM. I ask unanimous consent to speak for up to 20 minutes to deliver 2 statements on 2 different topics.

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

(The remarks of Mr. GRAHAM pertaining to the introduction of S. 2061 are located in today's RECORD under "Statements on Introduced Bills and Joint Resolutions.")

NATO EXPANSION

Mr. GRAHAM. Mr. President, approximately ten days ago, the Senate

voted to ratify the accession of Poland, Hungary, and the Czech Republic into the North Atlantic Treaty Alliance.

I joined 79 of my colleagues in supporting this historic measure.

This vote occurred at the end of a week of debate in the Senate on this matter. But it signaled the beginning of an equally important process—that of redoubling or diplomatic efforts to build greater trust and cooperation with Russia.

Many who argued against expanding the alliance did so on the assumption that such expansion would sour our relations with Russia and reduce the chances for progress in arms control. I believe that the consequences of expanding NATO are still undetermined, and that those consequences will depend largely on how we conduct our relations with Russia in the coming years.

Russia currently has 6,680 strategic nuclear warheads, thousands of tactical warheads, and hundreds of tons of fissile material that could be used to produce additional nuclear warheads.

Ensuring that these weapons are properly controlled and further reductions in strategic warheads are made is one of the principal national security interests of the United States.

This is why it is critical that we take greater steps to reach out to Russia and demonstrate our desire to work with them in a cooperative fashion.

Mr. President, in 1996, I was a member of the Commission on America's National Interests. This commission, which included my colleagues Senator MCCAIN, ROBERTS, and former Senator NUNN, as well as other foreign policy experts, was charged with identifying American national interests in the Post-cold-war era.

The Commission specifically addressed the question of expanding NATO, saying, "NATO enlargement is in the U.S. interest, but it will be essential to manage the process in ways that take account of Russian concerns."

We have already taken several important steps, including the U.S.-Russian Founding Act, the Nunn-Lugar programs, and the Partnership for Peace. Indeed, U.S. and Russian forces have served side by side in Bosnia. But there is much more to be done.

We must seek new ways to cooperate and build trust between our two great nations. What is needed is a sustained creative program of outreach to demonstrate that NATO expansion was not a hostile act designed to build a new Iron Curtain closer to Russia's borders.

Nor was it a signal that we have lost interest in helping Russia work through one of the most significant societal transformations in history.

One suggestion for creative outreach involves the Year 2000 Problem, which is sometimes referred to as Y2K.

We have undertaken a massive effort to deal with this issue of the reliability of our information systems after the year 2000. The Defense Department has

alone identified 2800 critical systems that must be "cured" before Y2K.

The Russians have not yet determined if they have a similar problem, not to mention they have not commenced the process of attempting to fix it.

It is in our interests to work with Russia to help them identify the scope of their Y2K problem and to remedy it.

It would be detrimental in the extreme to our interests if the Russians awoke on the morning of January 1, 2000, with blank screens on their early warning radars and command and control systems. What could be even worse is if their critical systems continue to operate with false and corrupted information. It is in both U.S. and Russian interests for us to have the highest level of confidence in our command and control systems and to build confidence through transparency and other cooperative measures.

Another area that presents opportunity for sustained outreach to Russia is interparliamentary cooperation. Each member of Congress, regardless of their feelings on NATO enlargement, should make an effort to reach out to our counterparts in Russia to foster greater trust and cooperation.

During the Cold War, intermittent attention was paid to interparliamentary relations. Unfortunately, since 1989, Russians believe that U.S. interest in such contacts has dwindled.

Some efforts at interparliamentary cooperation are underway. I will mention two of them. The Aspen Institute has held yearly meetings since 1994 that bring together U.S. and Russian parliamentarians. Speaker GINGRICH has established an initiative, under the direction of Congressman CURT WELDON, to reach out to the Russian Duma. But more should be done. Because of its responsibility to provide advice and consent on treaties, the Senate has a special responsibility to play a role in this effort.

We can be instrumental in creating an environment in which the Russian Duma will seek to cooperate with the United States. In fact, the commission on America's National Interests spoke of "direct contact—engaging Russia in ways that demonstrate the benefits on nonaggressive behavior," as one of the principal ways that we can promote a benign Russian foreign policy. These types of contacts will also serve to strengthen Russian democracy. All of these are very much in the United States national interest.

While I supported NATO expansion, I was concerned that the Senate entered into the debate after the United States had already committed to expanding the alliance.

The vote for NATO expansion in the Senate was bipartisan, but in my judgment that support was not very deep. Many senators, including myself, felt we were too deeply committed to reject expansion, calculating that the cost of non-action at this point would be greater than the risk of action.