Madam Speaker, we have heard each speaker use slightly different statistics to talk about the alarming rate of destruction. Sadly, all of the information we have received is true. There may be different statistics, but they are all bad. We have more than 10 percent of the inventory of coral reefs already destroyed; and if we take the big view, because what we are doing today in the United States and around the world, we are taking steps that are going to have a profound impact over the next generation, and 70 percent of the coral reefs at risk could be gone in the next 40 years.

Madam Speaker, the legislation before us is an important extension of the protections that we have had for the rain forests. It will provide the administration to be able to actively pursue debt swaps and buy-backs. It is going to help give those developing countries the tools that they need and would otherwise not be available.

But we on this floor ought to be clear that this is just the beginning, because we are in a situation now where we are in the United States only investing $1 in oceanographic research for every $13 that we put in outer space, when the world's fishery industry are now costing $1.33 to harvest each $1 of fish, producing dramatic overharvest, and we are going to have to step up and put serious money on the table, negotiate serious trade agreements, to provide for the protection of these important resources.

Madam Speaker, I think this legislation is important. It is a step in the right direction. It is relatively painless. But I do hope we in this Congress will be willing to do our part, because the stakes are high. We are going to have to do more, and we are going to have to do it soon.

□ 1515

Mr. LANTOS. Madam Speaker, I yield myself such time as I may consume.

Before yielding back our time, I just would like to make an observation. It speaks to the strength of this body and this Nation that in the midst of a war we take time to pass important environmental legislation, as we are about to do; that we have taken time to recognize the historic continuity of the friendship between two democracies, Australia and the United States; and that we have had the creativity and courage to move with respect to Pakistan as it aligned itself with the United States in the fight against terrorism.

This is a fine day for Congress and for the American people, and it is a message to our enemies that we shall prevail.

Madam Speaker, I yield back the balance of our time.

Mr. HYDE. Madam Speaker, I should very much like to associate myself with the trenchant remarks of the gentleman from California (Mr. LANTOS).

Madam Speaker, having no more speakers, I yield back the balance of our time.

The SPEAKER pro tempore (Mrs. BIGGERT). The question is on the motion offered by the gentleman from Illinois (Mr. HYDE) that the House suspend the rules and pass the bill, H.R. 2272, as amended.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds of those present have voted in the affirmative.

Mr. HYDE. Madam Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX and the Chair's prior announcement, further proceedings on this motion will be postponed.

INTERNET TAX NONDISCRIMINATION ACT

Mr. SENSENBRENNER. Madam Speaker, I move to suspend the rules and pass the bill (H.R. 1552) to extend the moratorium enacted by the Internet Tax Freedom Act through 2006, and for other purposes, as amended.

The Clerk read as follows:

H.R. 1552

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Internet Tax Nondiscrimination Act".

SEC. 2. EXTENSION OF INTERNET TAX FREEDOM ACT MORATORIUM.

Section 1101(a) of the Internet Tax Freedom Act (47 U.S.C. 151 note) is amended by striking "3 years after the date of the enactment of this Act" and inserting "on November 1, 2003".

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Wisconsin (Mr. SENSENBRENNER) and the gentleman from Massachusetts (Mr. DELAHUNT) each will control 20 minutes.

The Chair recognizes the gentleman from Wisconsin (Mr. SENSENBRENNER).

GENERAL LEAVE

Mr. SENSENBRENNER. Madam Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on H.R. 1552, the bill under consideration.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

Mr. SENSENBRENNER. Madam Speaker, I yield myself such time as I may consume.

Madam Speaker, I rise in support of H.R. 1552, the Internet Tax Nondiscrimination Act. Over the last several years, the Internet has revolutionized commerce in a manner few could have imagined. The Internet has expanded consumer choices, enhanced competition and enabled individuals, as well as brick and mortar retailers, to avail themselves of a national marketplace once reserved to a privileged few.

While government deserves some credit for helping create the technological infrastructure of the new digital economy, government regulation and taxation threaten to impede its tremendous commercial potential.

In 1998, Congress passed the Internet Tax Freedom Act to facilitate the commercial development of the Internet. Contrary to widely held impressions, the Internet Tax Freedom Act does not specifically exempt Internet retailers from collecting and remitting all sales taxes. Rather, it prohibits States from imposing multiple and discriminatory taxes on electronic commerce and shields consumers from new Internet access taxes. These limited protections will expire on October 21, less than a week from today.

Introduced by the gentleman from California (Mr. COX), who also authored the Internet Tax Freedom Act, H.R. 1552 extends the ban on new Internet access taxes and on all multiple and discriminatory taxes on electronic commerce. The Subcommittee on Commercial and Administrative Law has conducted a number of Internet tax hearings this Congress, and I commend the subcommittee chairman, the gentleman from Georgia (Mr. BARR), for his thorough and balanced consideration of this issue.

The version of H.R. 1552 reported by the Committee on the Judiciary preserves the protections contained in the Internet Tax Freedom Act until November 1, 2003. Renewal of these provisions for 2 years represents a compromise approach that simply maintains the existing moratorium on Internet taxes. A 2-year renewal also provides the best legislative vehicle for getting an Internet tax extension bill to the President before its imminent expiration.

If H.R. 1552 is not passed, Internet commerce will be subject to State and local taxes in more than 7,500 taxing jurisdictions. As Chief Justice John Marshall recognized over 200 years ago, the "power to tax involves the power to destroy." Failure to extend the moratorium may result in the imposition of a complex web of taxes that would destroy the viability of this critical medium at a time the technology industry and broader economy can least afford it.

Recent events have only underlined the fragility of the technology sector. Information technology companies have been buffeted by falling stock prices and signs of a deepening economic downturn. The last thing these companies need is more uncertainty, and passage of H.R. 1552 will provide a measure of stability during this turbulent period.

Last year, the House overwhelmingly passed an extension of the Internet tax moratorium by a vote of 352 to 75, but this measure did not receive a vote from the other body. This year there is no time to delay, and I urge support of the bill.

Madam Speaker, I reserve the balance of my time.

Mr. DELAHUNT. Madam Speaker, I yield myself such time as I may consume.

Madam Speaker, the bill we are considering today is clearly a substantial improvement over the original proposal considered last week by the House Committee on the Judiciary. That bill would have proposed a permanent moratorium on Internet access fees and a 5-year moratorium on so-called multiple and discriminatory taxes on the Internet.

During the course of our proceedings, an amendment, which I cosponsored along with the gentleman from Alabama (Mr. BACHUS) and the gentleman from North Carolina (Mr. WATT), the ranking member of the subcommittee, did prevail in committee and reduced the duration of the moratorium to 2 years in both cases.

My own preference would have been to continue the moratorium only to June 30 of 2002 as proposed in recent legislation filed by Senators DORGAN, BREAUX, and HUTCHISON of Texas to hopefully solve the real problem.

It is important to note, Madam Speaker, that much of the discussion of this issue has been misleading. Some have suggested that those in favor of a moratorium of short duration somehow support taxing the Internet.

Well, let us be clear once and for all. I am not aware of any Member of this body on either side of the aisle who favors or supports a tax or a fee on accessing the Internet to sell or purchase anything. To my knowledge, that position is shared by the governors and State legislatures of all 50 States. Governors in State legislatures do not want to tax the Internet. Let me say that again, Madam Speaker. They do not want to tax the Internet. They simply want to collect the sales taxes that they have been collecting for years. Taxes for which they rely upon for nearly 50 percent of their revenues.

But they cannot do that any more, Madam Speaker, because of the United States Supreme Court decision which prohibited a State from collecting sales taxes from out-of-State businesses which do not have a physical presence in that State. However, the Supreme Court said that Congress could authorize the State under the commerce clause to collect those taxes, but we have not done so. And the results of our failure have been devastating.

Let me give some examples. Uncollected sales taxes on Internet purchases are projected to cost the States nearly $15 billion in anticipated sales tax revenues this year, this year alone. Unless there is a system in place that enables State and local governments to collect taxes on their sales to in-state residents, these annual losses from online sales will grow to $45 billion by 2006 and $55 billion by 2011 with total losses during the 10-year period coming to approximately $440 billion.

What does this mean for the individual States? To take just a few examples, my home State of Massachusetts will lose $200 million this year, with losses climbing to approximately $830 million by 2011. Florida, which relies on the sales tax for some 57 percent of its annual revenues, will lose some $930 million this year with its losses 5 years from now exceeding some $3 billion. Texas will lose over $1 billion this year and a staggering $4 billion in the year 2006. These losses are magnifying the fiscal problems the States are already experiencing because of the economic slow down.

In March, The Washington Post reported that the States' fiscal outlooks having been hammered by a combination of spiralling Medicaid costs and the forecast of lower State revenues from all sources, including personal income, corporate and sales taxes. One can only imagine what the consequences of the events of September 11 will mean to State balance sheets. But I did notice where the Governor in Michigan, Governor Engler was quoted just last week saying, and again these are his words, ''Our economies were weak beforehand, and now they are quite shaky.'' End of quote.

Well, what does this really mean to the States? They will either have to curtail basic services such as police, fire protection, and education or raise income taxes, raise property taxes, raise corporate taxes or find some other revenue source to meet their obligations.

I find it fascinating that there seems to be strong bipartisan agreement on a $2.50 increase per ticket to finance airport and airway safety. By the way, that new tax will be collected whether the ticket is purchased over the counter, or over the Internet. But there is no such consensus to help the States fund resources critical for police, fire, emergency medical responders, and the public health care facilities that were and will be the first responders if there should be, God forbid, another terrorist attack on this country.

How ironic. And that is not all. By failing to act, we are putting at risk the thousands of small businesses that sustain our economy. Those main street merchants in our neighborhoods and communities who make up the local Chambers of Commerce who contribute so much to our community. How can they compete where there is no sales tax parity?

We should not continue to stand by while remote sellers enjoy an unfair advantage over the so-called brick and mortar retailers. One can just imagine deserted shopping malls and empty store fronts in the downtowns of American communities. Well, the digital divide should not be extended to American businesses and those who patronize them. If we do not meet our responsibilities, we will be creating two classes of American businesses and two classes of American consumers and no level playing field for either.

As Governor Engler of Michigan said, ''It is time to close ranks, come together, and stand up for main street America because fairness requires that remote sellers collect and pay the same taxes that our friends and neighbors on main street have to collect and pay.''

□ 1530

Former Senator Slade Gorton of Washington was right when several years ago he said, and again I am quoting the Senator, ''We kicked this down the road in 1998 when we should have debated it and resolved things. What we don't need is another extension. We should come back next year before the current moratorium expires and deal with these issues.''

So I say, Madam Speaker, it is time that we respect the States and the concept of Federalism that used to be in vogue in this body some time ago but seems to have fallen out of fashion, unfortunately. Despite our failure to assist them in their efforts, the States have met their end of the bargain. By their own initiative, they have formed the 30–State Streamlined Sales Tax Project. Twenty States have adopted model legislation that authorizes them to create a uniform simplified sales-and-use tax system, and a majority of the States will likely be on board within the year. They understand that the longer the issue is unresolved, the more serious the economic situation will become. Small businesses will be filing for bankruptcy and State and local governments will confront a severe fiscal crisis.

It is time for us to meet our responsibility. It is time for us to enact legislation giving the States the authority to implement the streamlined and simplified system, which would enable remote sellers to collect and remit sales taxes without burdening the Internet or interstate commerce. I genuinely believe that the stakeholders, finally, on all sides of the issue are ready to move forward to develop this system; and it is up to us to see it happens before this extension expires. So, for now, I urge support for the bill.

Madam Speaker, I reserve the balance of my time.

Mr. SENSENBRENNER. Madam Speaker, I yield 5 minutes to the gentleman from California (Mr. COX), the author of the bill.

Mr. COX. Madam Speaker, I thank the gentleman for yielding me this time and for the good work of the Committee on the Judiciary in bringing this bill to the floor just in the nick of time; and I thank my colleague, the gentleman from Massachusetts (Mr. DELAHUNT), for his support in the minority.

It is vital, with only a few days remaining before the expiration of the 3-year-old moratorium on special multiple and discriminatory taxes on the Internet, that we extend it; that we not let a lapse occur. Because, honestly, my colleagues, if we do that, all hell may break loose. And people may then ask us, when they are not focused on other issues, where we were and how we let this happen.

Back in 1996, when Senator RON WYDEN and I first began drafting the Internet Tax Freedom Act, which is now the law on the books that we are seeking to extend, our interest was to ensure that the Internet, which is not just a national but a global medium, not fall victim to the tyranny of the parochial.

My colleague, the gentleman from Massachusetts (Mr. DELAHUNT), is exactly right when he says the Governors and the State legislatures are not out to tax the Internet. But we should not kid ourselves, many, many, many special tax districts, utility commissions, regulatory agencies, and excise bureaus, 30,000 of them, are lying in wait ready to pounce.

The Internet's global nature, its decentralized packet-switched architecture makes it inherently vulnerable to multiple taxation and special and discriminatory taxation. Even the United Nations sought, before we passed this legislation, to impose a bit tax, that is a tax specifically aimed only at electronic commerce, that would tax our e-mail, the transfer of any file. The more zeros and ones, the more bits, the higher the tax. This law, which is on the books and which we are seeking to extend, outlawed all of that, certainly at least in America; but it also encouraged the executive branch to show leadership on the national and international stage to make sure we do not have these exactions on the Internet from abroad. The Clinton and Bush administrations have both been superb in execution of that congressional instruction.

Before this law was passed 3 years ago, here is what was about to happen, and here is what will happen beginning Sunday night if we do not act: Tacoma, Washington, had required Internet service providers to pay a 6 percent gross receipts tax, even for national Internet service providers without any employees in Tacoma. Tacoma's law also required everyone, even foreign, non-U.S. sellers who sold a product over the Internet to a Tacoma resident, to pay a $72 annual business fee in that city.

Vermont and Texas were moving forward to impose more onerous tax obligations on merchants who take orders via the Internet than the same merchants who took orders via the telephone.

Alabama had classified Internet service as a public utility. The Internet service was going to be a public utility. ISPs were going to have pay the same gross receipts tax as Bell South and local water utilities.

Florida had imposed a 7 percent tax on the sale of Internet access; but not only access, an additional 2½ percent tax on the gross receipts from any business on the Internet. It was also allowing cities to impose additional telephone fees on Internet access service, even though telecommunications are the highest taxed legal commodity in the country.

Tennessee began to tax Internet access as an intrastate telecommunications service.

Connecticut began taxing Internet access as a data processing service.

Out my way, in Southern California, the city of San Bernardino began taxing Internet access as a teletypewriter exchange service, a great example of a law and regulatory authority on the books from way before the birth of the Internet that was now being interpreted not by Governors and State legislators, but by bureaucrats and regulators to impose taxes on the Internet.

Chicago began to tax Internet access as a lease of tangible personal property.

In Texas, the State comptroller who testified before my committee had, at the time of enactment of this law, dropped his plan to tax Internet access as a telecom service, but was moving forward to tax it as an information service.

The Internet Tax Freedom Act stopped all of this activity in its tracks, and the results have been essentially positive. The truth is that our whole economy is slowing down right now, and not the least of all the tech sector. So it is vitally important, as we seek to put the Nation's economy back on its feet, that we not backslide on this wise policy that we adopted 3 years ago.

H.R. 1552 is endorsed by a number of taxpayer advocates, a number of sound economy groups, Americans For Tax Reform, the U.S. Chamber of Commerce, Business Roundtable, the Information Technology Association, Software and Information Industry Association, Information Technology Industry Council, American Electronics Association, and so on. But it is also endorsed by the National Conference of State Legislatures and the National Association of Counties, because this is not a threat to local government.

I urge my colleagues' vote in support of this legislation.

Mr. DELAHUNT. Madam Speaker, may I inquire as to the time remaining.

The SPEAKER pro tempore (Mrs. BIGGERT). The gentleman from Massachusetts (Mr. DELAHUNT) has 8½ minutes remaining, and the gentleman from Wisconsin (Mr. SENSENBRENNER) has 11½ minutes remaining.

Mr. DELAHUNT. Madam Speaker, I yield such time as he may consume to the gentleman from Oklahoma (Mr. ISTOOK).

Mr. ISTOOK. Madam Speaker, the sky is not falling. On October 21 we are not going to be hit by a great rush of jurisdictions saying now we are going to impose taxes on the Internet. We are not under an emergency circumstance on that. We have many emergencies in this country; trying to stop some unnamed jurisdictions from adopting a sudden tax is not an emergency.

However, dealing with the overall issue of drawing the ground rules for how the Internet is treated in comparison with other legitimate businesses is very important. That is why it is important that Congress not take an attitude of saying we are going to stick our head in the sand for any period of time, 5 years, 2 years, any amount of time.

I oppose any sort of effort to single out the Internet or Internet merchants for taxation, to say we are going to have multiple taxes because a business does business through the Internet or discriminatory taxes because they do that. I also oppose singling out merchants that do not deal through the Internet; to say that they are going to be paying taxes that others that sell to those same customers are not required to pay or to collect.

We need a fair tax system when it comes to the Internet. We need a fair tax system when it comes to merchants that are not using the Internet. That is my concern, that we will hide our head in the sand rather than addressing the tough issues. That is why I am pleased that we are not talking about a 5-year moratorium anymore. We are talking about a bill that is now on the floor that has been reduced down to 2 years; and frankly, it is very possible that the Senate will decide that even 2 years is too much. However, we need to keep things alive by moving the legislation; and I support that, so that we have an opportunity to grapple with the tough issues that some people do not want to grapple with.

Now, what are those tough issues? Well, first, let me mention the National Governors' Association, which keeps up with what is going on in their States and all their jurisdictions within their States. They tell us there is nobody about to jump in and do this, to create new tax systems. Whatever may have been the situation 5 years ago is not the circumstance today. Most State legislatures are not even in session, and there is certainly a lot of lead time with any jurisdiction that might jump up and say, oh, we want to create an Internet tax mechanism.

The National Governors' Association has asked us not to take up any moratorium unless we deal with the underlying issue of what the bill does not say but what it does, which is to try to chill efforts to have a fair, uniform system regarding sales tax that is fair and nondiscriminatory and simplified and uniform for merchants doing business in whatever way. That is what the States are doing.

I am pleased that a year ago, when we had a 5-year extension on this floor, two-thirds of this body, two-thirds, actually more than two-thirds of the House of Representatives, put in guidelines that said we want the States to work together, we want them to make a compact that says we will have a uniform standard, a multi-State compact that avoids multiple taxation, that simplifies the complicated sales tax systems that have different definitions in different States, so that we will not be discriminating across State lines or within State lines. That effort is underway.

As has been pointed out by other speakers, there are over 30 States involved in the effort, and more expected to join in. And we expect them to have some results to bring back to us before the 2 years is up, and that is where Congress needs to address the issue and not avoid the issues.

Madam Speaker, I think it is important that we remember that the Congress is not a body of unlimited jurisdiction. The Constitution specifies where we have authority that relates to interstate commerce and also where the States have authority; that the power not expressly given to the Congress nor denied to it reside with the States and the citizens thereof. If all power to determine the level of State and local taxes resides in Washington, D.C., we remove it from the people in the States. And if we starve out the premier tax base that supports schools, highways, public safety, public health, the sales tax base of the States; if we either by action or inaction destroy the States' tax base, we have destroyed the power and the authority of the States, we have destroyed the Federal system, we have shifted power away from the States, away from the communities, away from local citizens, away from our neighborhoods; and we will have moved it to Washington, D.C. We do not want that.

That is why we need to address all the issues, not single out one or two that looks good in a headline so that we can say, ''I voted against taxes,'' but also the issues where we say, ''I voted for fairness, I voted to let people back home to continue making their decisions, that long belong to them,'' rather than usurping them.

Madam Speaker, it is important that we allow the Senate to address this issue, because they have not before; and moving this legislation will help get the Senate involved in the process. But I hope the ultimate result is going to be that we in the Congress support a uniform streamlined system that is just as fair to the merchants in our communities as it is to the merchants that bring their wares into our homes and businesses through the Internet. That is fair and equal, a level playing field, as we often say, between merchants of all types, which says that no one gets an advantage or a disadvantage because they use the Internet or because they set up a store on the corner.

□ 1545

Mr. SENSENBRENNER. Madam Speaker, I yield 3 minutes to the gentleman from Virginia (Mr. GOODLATTE).

Mr. GOODLATTE. Madam Speaker, I rise today in support of H.R. 1552, the Internet Tax Nondiscrimination Act, and I commend the gentleman from California (Mr. COX) for championing this legislation to keep the Internet free from unfair and burdensome taxation. I also commend the gentleman from Wisconsin (Mr. SENSENBRENNER) and the gentleman from Georgia (Mr. BARR) for advancing this important legislation through the Committee on the Judiciary.

The Internet Tax Fairness Act of 1998 created a moratorium on Internet access taxes and multiple and discriminatory taxes. As a result of this moratorium, the Internet has remained relatively free from the burdens of new taxes. However, the moratorium is set to expire in 5 days, subjecting the Internet to possible taxation from more than 7,500 taxing jurisdictions. If the moratorium is permitted to expire, it will send a signal to each of these taxing jurisdictions that the Internet is fair game for unfair and discriminatory taxation. This is a serious threat to our efforts to ensure that the Internet continues to expand and grow.

Congress created the Advisory Commission on Electronic Commerce in 1998 to study Internet taxation and submit a report of its findings to Congress. In its report, the Commission recommended that the Internet tax moratorium be extended. Following the advice of the Commission, the Internet Tax Nondiscrimination Act will extend the current moratorium for 2 years, protecting millions of Internet users from unfair and discriminatory taxes, and from taxes on their monthly Internet access charges.

These types of taxes are some of the most regressive. If we increase the cost of accessing the Internet by charging an access tax, those that will be hit the hardest will be those in the lowest income brackets, which will widen the digital divide. An increase in the cost of Internet access is a serious impediment to those individuals having access to the benefits of the Internet, such as on-line education, commerce and communication.

In the words of President Reagan, ''The government's view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. If it stops moving, subsidize it.'' That should not be the model for growth of the Internet. It is clear if the potential of the Internet is to be fully realized, we must allow it to continue to flourish by ensuring that the qualities that made the Internet a revolutionary tool for both business and consumers, freedom from burdensome government regulations and taxation, remain fundamental components of the Internet for future generations.

Madam Speaker, I urge my colleagues to continue to ensure that the Internet remains free from restrictive taxation by joining me in voting for the Internet Tax Nondiscrimination Act.

Mr. DELAHUNT. Madam Speaker, I reserve the balance of my time.

Mr. SENSENBRENNER. Madam Speaker, I yield 1 minute to the gentleman from Illinois (Mr. WELLER).

Mr. WELLER. Madam Speaker, I commend the chairman for his expedited handling of this legislation, and particularly the gentleman from California (Mr. COX) for his leadership on this legislation year after year.

This week we have the opportunity to cast two, maybe three votes which are so important in this new economy in support of technology. We will have an opportunity later this week to vote in favor of the Economic Security and Recovery Act, legislation necessary to help revitalize the technology sector. Hopefully in the next week or two we will have an opportunity to vote for the trade promotion authority the President has asked for, and today we will vote to keep the Internet tax free.

Madam Speaker, one of the lessons that we have learned over the last decade, in talking to those involved in the new economy and those involved in the creativity of the technology sector, is the question: Why has the technology sector created one-third of all new jobs in the last decade? Why are more than half of American households on-line today? The answer is simple, government stayed out of the way. We had a regulation free, tax free, trade barrier free new economy to provide a tremendous amount of opportunity, creating a new technology sector.

This legislation is so important to keep that kind of environment in place. Let us keep the Internet tax free, and vote to extend the Internet tax moratorium for two more years.

Madam Speaker, I rise today in support of H.R. 1552, The Internet Tax Nondiscrimination Act.

It is vital that we extend the moratorium as it is set to expire in five short days. Absent our action today to renew the moratorium, the floodgates will be open—and our nation's 30,000 taxing jurisdictions could once again try to lay claim to a piece of the Internet by imposing special taxes on the Internet. While I support extending the moratorium for 2 more years I think that a more permanent solution is needed. We need to assure Americans that government will not place special burdens on the new economy.

While the tax moratorium imposed by the 1998 law was only three years in duration, its fundamental structure is ideally suited to be extended far beyond this year. Instead of barring all Internet taxes, it only bans those taxes that single out the Internet for special treatment. Whatever disagreements there might be on other aspects of the Internet tax debate—such as the broader issue of sales taxes—there is clear agreement that the Internet must never be subject to special multiple or discriminatory taxes.

In the past 10 years, the Internet has changed the way the world does business. 17 million households shopped online in 2000. Small businesses who use the Internet have grown 46% faster than those that do not. The Internet should be tax free and barrier free, nor should electronic commerce be subject to new, multiple targeted taxes.

Much consideration must be taken whenever you are considering changing the tax rules not just for the nation's economy but for the global economy. We need to foster continued growth of the Internet and electronic commerce without imposing a burdensome and confusing tax regulations.

With time running out, it is critical that we extend the Internet tax moratorium while continuing the effort to make the moratorium permanent.

Mr. SENSENBRENNER. Madam Speaker, I yield 2 minutes to the gentleman from Texas (Mr. SMITH).

Mr. SMITH of Texas. Madam Speaker, the current moratorium on Internet taxation is soon set to expire. Someone once said that the three greatest discoveries of humankind are fire, the wheel, and the integrated circuit. Each of these discoveries ushered in a new era of human development and advancement. And although the integrated circuit is only 50 years old, it has changed the world. The integrated circuit and its offspring, the Internet, have played dominant roles in transforming our lives for the better.

Even though America has seen a dramatic increase in the number of homes wired to the Internet, last month the Department of Commerce released a report showing that e-commerce actually has decreased in the second quarter of this year.

Internet commerce is still relatively new and has yet to reach its full potential. The imposition of taxes would threaten the future growth of e-commerce, would discourage companies and consumers from using the Internet to conduct business, and would create regional and international barriers to global trade.

On the other hand, of course, we do need to recognize the legitimate concerns of States that want to have the option of taxing sales. But failure to renew an extended moratorium will tell the high-tech sector of our economy that it is open season for Internet taxes and send a message to local and State tax authorities that new, multiple, and discriminatory Internet taxes may be imposed. We do not want to do that.

Madam Speaker, it is vital that Congress act quickly to ensure Americans that government will not place additional burdens on the new, fragile economy.

Mr. DELAHUNT. Madam Speaker, I yield myself such time as I may consume.

Madam Speaker, let me conclude by saying I look forward to working with the chairman of the committee, as well as the gentleman from Texas, in dealing with both issues here, keeping the Internet tax free and at the same time providing those options to the States so they can meet their fundamental responsibilities.

As I indicated earlier, and I believe the gentleman from Texas was present in the Chamber at the time, we have a real problem, his home State being one in particular, where this year it is anticipated that in excess of $1 billion will be lost to that particular State in terms of anticipated sales tax revenue.

Mr. CONYERS. Madam Speaker, I rise in support of H.R. 1552, "The Internet Tax Nondiscrimination Act" which extends the present moratorium on Internet access taxes and multiple and discriminatory taxes for two years, from 2001 through 2003.

Maintaining the current system allows the potential for significant financial loss for states and localities. Sales taxes constitute the most important State and local revenue source, with the census bureau estimating that nearly one half of State and local revenues come from sales taxes. Projections of increasing online sales indicate huge revenue losses for states and local government. For example, my own state of Michigan is estimated to lose $500 million in foregone sales taxes this year under the present system.

This inevitably translates into the loss of important funding for quality education, effective public safety, and other basic services. In Michigan the lost revenue from foregone sales taxes will cost my state the equivalent of 100,000 teachers or police officers this year. Think of how much we could do to reduce class sizes, build new schools, improve our quality of education and protect our streets with these funds.

A separate concern is the adverse impact of the present bifurcated system on poor citizens and minorities. According to a Commerce Department study, wealthy individuals are 20 times more likely to have Internet access, and Hispanics and African Americans are far less likely to have such access. This means that poor and minorities who only buy locally face a far greater sales tax burden than their counterparts. Maintaining the present system will only serve to perpetuate that disparity.

Steps are being taken to simplify the sales tax system, such as streamlining the rules and regulations of the 7,500 taxing jurisdictions in the U.S. Thus far, this streamlined tax system has 32 states participating in the effort to simplify tax rates and definition of taxable goods and certifying software that will make it easier for retailers and e-tailers. Nineteen states have enacted simplification legislation and another ten have introduced legislation for consideration.

A two-year extension is a far more appropriate solution than a longer moratorium. There is a real risk that extending the moratorium for longer than two years would unduly delay this issue and create a situation where the states have no incentive to reform their laws. This would have the effect of codifying into law the present state tax system which would force states, who rely on sales tax revenue, to either raise other taxes or cut basic services.

A shorter extension would allow the States to continue the very serious steps they have already taken to reform and simplify their laws. Then we could consider whether we should approve any interstate process effectuating these simplification efforts. If the States are not making any progress by the end of such a moratorium, it would be a simple matter to extend the moratorium for an additional period of time.

A long extended moratorium is opposed by the National Governors Association—which sent a letter signed by 44 Governors, including 22 Republican Governors, by organized labor (through the AFL–CIO, NEA, AFT, and AFSCME) and by business (through the National Retail Federation, Wal-Mart, Sears, Home Depot, and K–Mart).

A two-year extension will give Congress the opportunity to work together on a bipartisan basis to solve the larger simplification problems facing us. I urge a "yes" vote on this legislation.

Mr. TOM DAVIS of Virginia. Madam Speaker, I rise today as an original sponsor and enthusiastic supporter of H.R. 1552, the Internet Tax Nondiscrimination Act. I continue to favor the five-year extension originally contained in this legislation and advocated by the Advisory Commission on Electronic Commerce. Such an extension would ensure predictability and foster further innovation. I will support the two year extension, however, because I believe it is of paramount importance not to allow the moratorium to expire. Despite the current downturn in the economy, the Internet continues to flourish as the most unique and vibrant global communication and commercial tool. Its important role in our society and economy continues to expand.

Yet an ever-present concern plagues many of us who understand the need to foster the Internet's continued growth: that government interference in the electronic marketplace—whether it be through regulation or tax policy—will create barriers that interfere with the transformation of the Internet into the repository of global communications and commerce for the 21st century.

Three years ago, we recognized that state and local taxation in electronic commerce would require a thorough analysis before we could formulate a balanced and restrained federal policy on the taxation of goods and services sold over the Internet. While most of us agree that regulation of the Internet would hinder technological innovation and economic growth, we also understand the legitimate needs of state and local governments who use sales tax revenue to fund services for their citizens. Therefore, we enacted a 3-year moratorium on Internet access taxes and multiple and discriminatory taxes on goods and services sold over the Internet. We also created the Advisory Commission on Electronic Commerce to begin that process and identify all of the integrated issues that arise in the context of taxation and the Internet Economy. In its report issued in April 2000, the Commission recommended, among other things, that the current moratorium be extended at that time for another 5 years.

I understand that some of my colleagues believe the moratorium should not last as long as 5 years and others believe that we have to address this important issue in a comprehensive manner. I wholeheartedly agree with the latter concern—this issue needs to be resolved in a methodical and holistic manner. But we need to implement a realistic time frame that will allow us to resolve each and every layer of the problems presented by taxation in a digital world.

As I noted during House consideration of this legislation last year, this problem cannot be about politics. This is not a zero-sum equation, and it's important for the health of our economy that we resolve this complicated issue with deliberative evaluation. This is one of the most important long-term economic policy decisions that our nation will make, and I want to congratulate my colleagues, Chairman SENSENBRENNER and Congressman COX for their steadfast leadership in ensuring that we resolve this issue before the October 21st expiration of the current moratorium. I urge all of my colleagues to support H.R. 1552 and look forward to continued efforts to address the substantive issues in this debate.

Ms. JACKSON-LEE of Texas. I would like to thank Judiciary Committee Chairman JAMES SENSENBRENNER and Ranking Member JOHN CONYERS for working to pass this legislation through the Committee and proceed to the floor of the Congress for a vote.

The legislation before us today, H.R. 1552, seeks to extend the current Internet tax moratorium, prohibiting states or political subdivisions from imposing taxes on transaction conducted over the Internet, through 2003.

Presently, ten states including Texas have taxes on Internet access charges. These states should be allowed to continue this practice. I supported this two-year extension in Committee because it would not bar states such as Texas from collecting these greatly needed tax revenues. States would be allowed to be ''grandfathered in'' under an exemption from the moratorium.

Under current law, there is a limited moratorium on state and local Internet access taxes as well as multiple and discriminatory taxes imposed on Internet transactions, subject to a grandfather on taxes of this nature imposed prior to 1998. The current moratorium is scheduled to expire on October 21, 2001, and was merely designed as an interim device to allow a commission to study the problem of Internet taxation.

I elected to vote for this two-year moratoriums as long as those states across our nation which currently rely on these crucial revenue streams are allowed to continue. This legislation provides for such a compromise.

Without such a compromise, state and local governments would lose a substantial amount of sales tax revenue and telecommunication tax revenue if we were to extend the moratorium on Internet taxation for five years as a prior plan advocated. According to Forrester Research, if e-commerce continues to explode, U.S. sales over the Internet will be almost $350 billion by 2002. If state and local governments were prohibited from taxing this segment of their tax base, financing important state and local programs and services would become increasingly difficult.

State and local governments use the sales tax as a means to provide nearly one-quarter of all the tax revenues used to fund vital programs and services to their communities. It is estimated that State and local governments are presently losing approximately $5 billion in sales tax revenues as a result of their inability to tax the majority of mail order Internet sales. This simply is not fair.

According to the Center for Budget and Policy Priorities, state and local governments could be losing additional $10 billion annually by 2003 if Internet sales were to continue to be exempt from sales tax imposition. Loss of revenue of this magnitude would threaten the strong fiscal position of many states if economic conditions begin to deteriorate. The additional loss of Internet transaction tax revenues and the possibility of losing taxes on telephone services due to its incorporation into the Internet could accelerate depletion of many state surpluses without increased taxes in some other area or making significant reduction in expenditures.

This loss of revenue would also curtail the ability of states and localities to meet the demands for major improvements in education. A permanent tax prohibition on Internet sales would deprive state and local governments of a great resource to fund desperately needed improvements in their education systems.

Furthermore, enacting the previously suggested five-year moratorium on state Internet taxation would tip the scales, benefiting those with wealth and access to the Internet at the expense of low- and moderate-income individuals, particularly because those who usually make purchases over the Internet are more affluent than those who do not. Considering the impact of the digital divide on our society, many minorities and low-income people who do not purchase goods via the cyber world would pay a disproportionate share of state and local sales taxes.

The majority of low-income households lack the resources to purchase equipment to access the Internet, train on its usage, or lack the financial stability to have a credit card. Individuals with access to a computer and the Internet would avoid taxation on the purchase of a good or service that would be taxed if a person without this access purchased the same good or service from their neighborhood stores.

If we allow Internet transaction to be completely exempt from tax, state and local governments may likely increase their sales tax rates to make up for the shortfall in Internet tax revenue. The consequences of this could be devastating to low- and moderate-income persons who do not benefit from the tax free Internet environment. Moreover, those with access to the Internet would be further deterred from purchasing goods or services from retail establishments, thus increasing the tax burden of the less affluent.

The current moratorium on Internet taxation is about to expire. I am confident that states can adapt their sales tax systems to capture revenue on Internet transactions. Our states are making great strides to update their systems and equalize the tax burden for all segments of society.

The plan before us today balances the need expressed by some Members of Congress that a temporary moratorium is necessary, with the importance of preserving and securing the revenue streams of states such as Texas, which rely so heavily on Internet taxes for education and our quality of life.

Mr. DELAHUNT. Madam Speaker, I yield back the balance of my time.

Mr. SENSENBRENNER. Madam Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Wisconsin (Mr. SENSENBRENNER) that the House suspend the rules and pass the bill, H.R. 1552, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

The title of the bill was amended so as to read: ''A bill to extend the moratorium enacted by the Internet Tax Freedom Act through November 1, 2003; and for other purposes.''.

A motion to reconsider was laid on the table.

CONSEQUENCES FOR JUVENILE OFFENDERS ACT OF 2001

Mr. SENSENBRENNER. Madam Speaker, I move to suspend the rules and pass the bill (H.R. 863) to provide grants to ensure increased accountability for juvenile offenders, as amended.

The Clerk read as follows:

H.R. 863

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Consequences for Juvenile Offenders Act of 2001''.

SEC. 2. GRANT PROGRAM.

Part R of title I of the Omnibus Crime Control and Safe Streets Act of 1968 (42 U.S.C. 3796 et seq.) is amended to read as follows:

''PART R—JUVENILE ACCOUNTABILITY BLOCK GRANTS

''SEC. 1801. PROGRAM AUTHORIZED.

''(a) IN GENERAL.—The Attorney General is authorized to provide grants to States, for use by States and units of local government, and in certain cases directly to specially qualified units.

''(b) AUTHORIZED ACTIVITIES.—Amounts paid to a State or a unit of local government under this part shall be used by the State or unit of local government for the purpose of strengthening the juvenile justice system, which includes—

''(1) developing, implementing, and administering graduated sanctions for juvenile offenders;

''(2) building, expanding, renovating, or operating temporary or permanent juvenile correction, detention, or community corrections facilities;

''(3) hiring juvenile court judges, probation officers, and court-appointed defenders and special advocates, and funding pretrial services (including mental health screening and assessment) for juvenile offenders, to promote the effective and expeditious administration of the juvenile justice system;

''(4) hiring additional prosecutors, so that more cases involving violent juvenile offenders can be prosecuted and case backlogs reduced;

''(5) providing funding to enable prosecutors to address drug, gang, and youth violence problems more effectively and for technology, equipment, and training to assist prosecutors in identifying and expediting the prosecution of violent juvenile offenders;

''(6) establishing and maintaining training programs for law enforcement and other court personnel with respect to preventing and controlling juvenile crime;

''(7) establishing juvenile gun courts for the prosecution and adjudication of juvenile firearms offenders;

''(8) establishing drug court programs for juvenile offenders that provide continuing judicial supervision over juvenile offenders with substance abuse problems and the integrated administration of other sanctions and services for such offenders;

''(9) establishing and maintaining a system of juvenile records designed to promote public safety;

''(10) establishing and maintaining interagency information-sharing programs that enable the juvenile and criminal justice systems, schools, and social services agencies to make more informed decisions regarding the early identification, control, supervision, and treatment of juveniles who repeatedly commit serious delinquent or criminal acts;

''(11) establishing and maintaining accountability-based programs designed to reduce recidivism among juveniles who are referred by law enforcement personnel or agencies;

''(12) establishing and maintaining programs to conduct risk and need assessments of juvenile offenders that facilitate the effective early intervention and the provision of