

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. GREGG. Mr. President, are we in morning business?

The PRESIDING OFFICER. We are.

#### INTERNET TAX MORATORIUM

Mr. GREGG. Mr. President, today marks the 1-year anniversary of the Internet tax moratorium and the setting up of a commission to look into the manner in which we tax the Internet. This moratorium was to last for 3 years, and the commission was to meet and begin the process of trying to determine how best to deal with the variety of proposals to place taxes on the use of the Internet, products which are sold over the Internet, and services which are supplied over the Internet.

Obviously, the Internet represents a watershed mark possibly in history as to economic activity. It is a period in which we have seen the Internet become an economic engine of immense proportions for our Nation and for the world. The Wall Street Journal reported on October 18 that electronic commerce not only positively affects economic activity but has had a very positive impact on reducing the rate of inflation.

Products sold over the Internet are actually forcing down prices as competition occurs and products, such as prescription drugs, have been found on the Internet to be 28-percent cheaper and apparel 38-percent cheaper. The overall index found that products generally were about 13-percent cheaper on the Internet. The Internet has not only been a wonderful economic engine; it also has been a force for maintaining and controlling inflation during this period of dramatic prosperity.

Of course, the Internet is growing at an incredible rate. Over the last 12 months, Internet economic growth has been about 68 percent, which is a huge rate of growth compared to a national economic rate of growth which is somewhere in the 3- to 4-percent range, if we are lucky. The role of the Internet in our society is immense today and is getting even more significant.

The question is, How do we deal with it in the context of taxes? There is a large number of communities and a number of States in this country that wish to assess on Internet transactions their local sales tax activity, much the same as they attempt to assess catalog sales. There are something like 30,000 jurisdictions which could assess taxes on the Internet.

The effect, of course, of having this diffuse and extraordinarily large group of taxing authorities—50 States and 30,000 subjurisdictions of those States—with a potential of taxing the Internet at various rates could, quite simply, grind to a halt this wonderful engine of economic activity and prosperity into which our Nation has gone.

Literally, if we allow the Internet to be subject to this variety of taxes and this variety of tax authorities, and the imagination and creativity we always see from various Government entities when it comes to taxing, literally we could end up stopping the Internet as an effective force for economic expansion and prosperity.

Furthermore, the concept of taxing the Internet, which is clearly a national and really a global instrument of commerce, appears, to me at least, to fly in the face of our Constitution. The commerce clause of our Constitution is pretty specific. Section 8, clause 3, of the Constitution reads:

The Congress shall have Power . . . To regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes.

There can be nothing that is a form of commerce more among the several States than the Internet as it presently is expanding, growing, and becoming a force for economic activity.

Thus, the taxing of the Internet by all these different entities would clearly, in my opinion, raise serious constitutional problems. In fact, the Supreme Court addressed this issue when it came to catalog sales in the Quill case, where the Supreme Court essentially ruled that States, unless they have a nexus relationship with the seller of the assets, do not have traditionally the ability to tax that transaction.

Secondly, Congress needs to look at the issue of taxation because of the extraordinary, as I have mentioned, chilling effect it would have on commerce generally. We, as a nation, as the creators and inventors of the Internet and, therefore, controllers not only of the initial and expanding technology, but also of the language which dominates the Internet, have put ourselves essentially as a nation on a rocket sled of economic activity. We have expanded and accelerated at an extraordinary speed past the rest of the world towards economic prosperity.

I recall, rather vividly, in the late 1980s when the "woe is me" crowd was saying that Japan was going to overtake the United States in all functions of economic activity, and that our economic model for prosperity simply could not compete with the Japanese economic model of prosperity, which was intimidating and which remains significant.

But the fact is that it did not work out that way. It did not work out that way because America's strength is our entrepreneurship and our inventiveness. We took that entrepreneurship and inventiveness and we created this massive new vehicle for economic activity called the Internet. Thus, instead of being overwhelmed by our friends and neighbors and allies in the industrial world, we have, instead, exploded past them in the ability to produce prosperity and economic activ-

ity, in large part because of the Internet and the offspring of technology which it has created.

So we do not want to do anything which jeopardizes the unique and special international lead that we have in this area. Yet allowing thousands of different jurisdictions to tax the Internet would do exactly that. It would jeopardize that lead and undermine and, as I said, possibly bring to a complete halt the use of the Internet as an element of commerce.

The third thing we must be sensitive to in this area of the Internet is the international implications beyond the questions of trade. It has been suggested by people at the U.N. that the U.N. should start to fund itself by putting in place a tax on e-commerce and e-mail. At first it was an outrageous suggestion, but it is the type of suggestion you get at the U.N. from people who represent nations which maybe do not have as much of a financial interest in it as we do and know that we would end up paying the tax, our Nation would end up paying the burden. But the fact that has been suggested is just a sort of crack of the door behind which, if it were fully opened, you would see an international initiative of significant proportions to place taxes on the Internet.

As a result, if we have essentially come to the table, having already soiled our hands with taxing the Internet, it will be very extraordinarily difficult for us to resist, whether it is the U.N. or whether it is some other nation that also tries to pursue this course of action. It is essential, for the purposes of seeing an expansion of this technology and this form of economic activity, that we dampen down and restrict and as aggressively as we can resist having other nations pursue the path of taxation of Internet transactions.

Obviously, the U.N. has no right to step into this ground. In fact, as chairman of the appropriating committee that has jurisdiction over the U.N., I put specific language into an appropriations bill, which hopefully will pass today, that says the United States will not spend any money at the U.N. should the U.N. pursue this course of action, which I am sure they will not. This was some idea put forward by somebody there, but I do not think it speaks to the majority at the United Nations.

But those are three core reasons why we have to be extraordinarily sensitive to what the tax policy is relative to the Internet.

The reason I raise this is because it took 8 months for the Internet commission to get started. That was not their fault. Really, it was the fault of those bodies which had the obligation

of appointing membership to the commission. Actually, under Governor Gilmore, this commission has done an excellent job of meeting. Governor Gilmore's position relative to taxation over the Internet is exactly the position that should be pursued. However, I am not sure he has a majority position within the commission. I hope he does.

But in order for us to assure this threat to our commerce does not occur, I believe we should extend this moratorium. Since we had at least 8 months of delay before we got this commission up and running, I think we should have an extension which recognizes that the commission should have the full 3-year period; therefore, we should extend the moratorium for another year, at a minimum, on the Internet.

I happen to think it should be extended beyond that, well beyond that, because I believe certainty in the area of taxation is one of the key issues for maintaining economic activity. If people participating in an economic activity can predict what their tax obligations are and what the tax implications will be to an economic initiative, then they are much more likely to be willing to invest capital and take the risks necessary to pursue that initiative. But if they cannot predict their tax liability, then that limits and dampens down the desire to put capital and take risks in a certain economic activity. We have seen that historically.

So I do believe very strongly that we should not only be extending this moratorium for a year but that we should be extending it for a series of years beyond the 3-year moratorium that presently exists.

Let's face it. The economic benefit which this Nation has seen as a result of this truly revolutionary event—in the history of economics, I suspect this is going to go down with the industrial revolution as one of the most significant turning points in the history of prosperity and the way nations generate wealth.

The benefits which we, as a nation, have obtained as a result of this, as a result of being the incubator, the developer, and now the provider in expertise in the area of the Internet, and the use of the Internet for commerce, the benefits which we have received, as a nation, are basically incalculable: the amount of new jobs which have been created; the number of people whose standard of living has been increased; the number of people who have been able to purchase goods at less of a price; and the number of people who have simply had a better chance to participate in prosperity.

The Nation as a whole has seen economic activity and economic prosperity that has been a blessing to everyone, in large part because of this huge expansion in e-commerce and in the Internet as a force. Those benefits dramatically exceed any benefit which

we would obtain by allowing a large number of different States or municipalities to start taxing the Internet for the purposes of expanding their local governments.

It is the classic situation of the goose that lays the golden egg, to say the least. We have confronted a goose that is laying a lot of golden eggs for America, and for the prosperity of America, and for the opportunity of America to create jobs. For America to maintain its place as a world leader, we should not make the mistake of maybe not cutting off the goose's head but nicking that goose with thousands of different taxes which may cause it to, unfortunately, stumble or even be stopped as a result of allowing the creativity and the imagination of our various government units across this Nation to begin to tax the Internet.

So I hope as we wrap up this session we will consider this. Obviously, we probably are not going to get it in this major omnibus bill, although I tried to do that and it was rejected in committee—an extension of the Internet moratorium.

I do hope when we come back next year this will be a priority item—to make it clear, to make an unalterable statement to the community which is developing and promoting this incredible engine of prosperity that we are not going to stop them by turning loose the forces of government and taxation on them.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from Vermont.

#### EXTENSION OF MORNING BUSINESS

Mr. JEFFORDS. Mr. President, I ask unanimous consent that the period for morning business be extended to the hour of 2:30 p.m. and that the time be equally divided in the usual form.

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

Mr. JEFFORDS. Mr. President, I yield myself such time as I may consume, or whatever.

#### THE NORTHEAST DAIRY COMPACT

Mr. JEFFORDS. Mr. President, I will take a moment to react to an editorial which I read this morning in the Wall Street Journal which had so many errors and erroneous comments that it shocked me to find out that such a fine newspaper as the Wall Street Journal would carry this.

I have been in Congress now 24 years, and as a result of unusual circumstances, for many years I had been sort of the leader of dairy for the Republicans in the House. That occurred because I was elected during the Watergate year. During the Watergate year, there were 92 freshmen Representatives who were elected and only 16 were Re-

publicans. So all of us who came in that year immediately got seniority because there were not any other Members around.

I got to be the ranking member on the dairy subcommittee my first year. During that time, some 24 years, one thing I could be assured of was that any time something was going to come to the benefit of the dairy farmers, the Wall Street Journal, the New York Times, and the Washington Post would all write adverse editorials. Why is that? Well, do the dairy farmers buy any advertising in these newspapers? Of course, they don't. Who does buy the advertising? It is those who purchase milk. What is their motivation? To keep the dairy farmers getting the least money possible so they can maximize their profits. And they have done a masterful job.

But they also have a propensity, either because they, without any checking, believe everything told to them by the processors who pay for their ads or they just ignore the truth. The Wall Street Journal article of this morning was a very typical example. I will run through some of the facts that were utilized in this great paper to point out the errors.

First of all, they make statements which are just not true. They say we have to have a compact because our farmers are less efficient than the Midwestern farmers. Well, that is absolutely not true. Both are very efficient. The differences in the two areas are dramatic, but they are not relative to efficiency. Obviously, the Midwest farmers have an advantage because they are closer to the grain markets. They have more people producing cheese, and they have soils that are preferable to many of the other areas of the country, especially New England. So they have an advantage, not a disadvantage, by being not only efficient—and I don't think our farmers are any more efficient than theirs—but having lower costs to start with. So to make the statement that it is all based upon inefficiency is absolutely ridiculous.

Then this statement: Never mind that this milk costs consumers to the tune of about 20 extra cents a gallon. This is absolutely false. In fact, one of the ironic aspects of this whole argument occurred back when the compact first went into effect and the Midwestern farm representatives said: We will show them. We will show that this is all due to efficiency and all those kinds of things. So they asked OMB, not GAO or whoever else. Why? Because OMB was sympathetic to the administration at that time and they wanted help from the White House to try to back up their arguments.

Well, what happened? OMB did an analysis of the impact of the compact and found out just the opposite. Do we hear them quote that anymore? No. I