

STATEMENT OF SENATOR JOHN McCAIN
CHAIRMAN, SENATE COMMITTEE ON
COMMERCE, SCIENCE, AND TRANSPORTATION
FULL COMMITTEE HEARING
ON INTERNET TAX
MARCH 14, 2001

- C First, let me thank the witnesses for being here today. This hearing is similar to one held by the Committee nearly a year ago to examine whether to extend the Internet Tax Freedom Act's moratorium on the ability of state or local governments to impose new sales taxes on "Internet access services," or to impose any "multiple or discriminatory taxes" on electronic commerce.
- Opponents of the extension of this limited tax moratorium succeeded in postponing its consideration last year. We face different circumstances now. Foremost, the Internet Tax Freedom Act expires this October. I believe that Congress will and must act before then to renew its objections to multiple and discriminatory taxes on the Internet, as well as to taxes that inhibit Internet access.
 - One needs only to turn on the news or glance at the front page of the paper to know that the Internet economy is not bulletproof. The plunge in the NASDAQ is a clear sign that we need to be mindful of the economic effects of our tax policy decisions as we move forward on this issue, and that we must move forward.
- C Several states and localities, as well as the majority of the so-called brick and mortar retailers, have asked that we consider legislation in addition to just the extension of the Internet tax moratorium. Principally, they have asked Congress to authorize them to require all remote sellers to collect and remit sales taxes on deliveries into their states, provided that the states and localities dramatically simplify their sales and use tax systems.
- C I have met frequently with members of Congress, including several on this Committee, who are interested in joining me to extend the Internet tax moratorium, but only as long as we take action to broaden the states' authority to collect sales taxes from remote sellers, including those conducting business on the Internet. We have pledged to work together on a consensus proposal that we can put in place before the moratorium expires in October.
- C Personally, I have not seen evidence of the sales tax revenue losses predicted by the states and local governments when we took up this issue a few years ago. Even so, the Main Street retailers have a legitimate fairness argument, when they see customers come to the store to

locate items they want to purchase, only to leave and order the items over the Internet just to escape the sales tax.

- C I want to emphasize again. Congress must act before the Internet tax moratorium expires in October. Reaching a consensus by then on the broader issues that we will hear more about today will be difficult. All interested parties must be willing to make significant sacrifices.
- The states and localities in particular must be able to make some tough decisions now to advance true sales tax simplification before Congress will consider subjecting remote sellers to the reach of more than 7,000 taxing jurisdictions in the United States. I do not think that is too much to ask. The states and localities are asking us to overturn longstanding limits on their ability to tax out-of-state businesses and transactions, put in place to ensure that myriad taxes do not create an undue burden on interstate commerce.
- C Thanks again to our witnesses. I look forward to hearing your testimony today. Governor Geringer, welcome to the Committee. Would you like to begin?