



April 25, 2012

U.S. Senate Committee on Finance



100 Years Standing Up for American Enterprise
U.S. CHAMBER OF COMMERCE



RE: S. 971, Digital Goods and Services Tax Fairness Act

Dear Members of the Senate Committee on Finance,

On behalf of millions of taxpaying Americans, we write to urge your support for the Digital Goods and Service Tax Fairness Act (S. 971). Sponsored by Sens. John Thune (R-S.D.) and Ron Wyden (D-Ore.), the measure creates a much-needed framework for taxing digital goods and services across the fifty states to prevent double taxation and hold policymakers accountable for enacting new taxes.

Across the country, states are establishing new taxes on downloaded goods, such as music, books, movies, and mobile applications. This has resulted in a patchwork of varying standards for taxing digital e-commerce, and could result in multiple states taxing a single consumer purchase or levying higher and discriminatory taxes on downloads. S. 971 will ensure that when a digital product is purchased, it is taxed once and only once.

E-commerce is inherently an interstate activity, as the Internet does not acknowledge state borders. As a result, a consumer in Montana could purchase a digital product online from a company in California that is located on a server in North Carolina. The legislation would ensure that only the state where the consumer is based has taxing authority. Without the federal framework contained in this bill, each of these states could claim taxing jurisdiction, resulting in excessive taxation of online goods and services.

The Digital Goods and Services Tax Fairness Act will make sure there is accountability and public awareness should a state begin to tax digital goods. Today, eight states have begun taxing downloaded products by administrative fiat at state Departments of Revenue, bypassing the legislative process altogether.

Internet and digital commerce is a highly dynamic and rapidly growing sector of the American economy. The Digital Goods and Services Tax Fairness Act will help to eliminate tax-related burdens on interstate commerce that could stifle the vital online market.

As you consider a number of tax-related measures impacting interstate commerce, we urge you to support S. 971, the Digital Goods and Services Tax Fairness Act. The measure will bring much needed clarity and simplicity to interstate e-commerce, while preventing states from engaging in excessive and discriminatory tax policy.

Sincerely,

Grover Norquist
President
Americans for Tax Reform

U.S. Chamber of Commerce

Andrew Moylan
Vice President of Government Affairs
National Taxpayers Union

David Williams
President
Taxpayers Protection Alliance

Chuck Muth
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Jeffrey Mazzella
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