

(2) Even within the United States, the Internet does not respect State lines and operates independently of State boundaries. Addresses on the Internet are designed to be geographically indifferent. Internet transmissions are insensitive to physical distance and can have multiple geographical addresses.

(3) Because transmissions over the Internet are made through packet-switching it is impossible to determine with any degree of certainty the precise geographic route or endpoints of specific Internet transmissions and infeasible to separate intrastate from interstate, and domestic from foreign, Internet transmissions.

(4) Inconsistent and inadministrable taxes imposed on Internet activity by State and local governments threaten not only to subject consumers, businesses, and other users engaged in interstate and foreign commerce to multiply, confusing, and burdensome taxation, but also to restrict the growth and continued technological maturation of the Internet itself, and to call into question the continued viability of this dynamic medium.

(5) Because the tax laws and regulations of so many jurisdictions were established before the Internet or interactive computer services, their application to this new medium in unintended and unpredictable ways threatens every Internet user, access provider, vendor, and interactive computer service provider.

(6) The electronic marketplace of services, products, and ideas available through the Internet or interactive computer services can be especially beneficial to senior citizens, the physically challenged, citizens in rural areas, and small businesses. It also offers a variety of uses and benefits for educational institutions and charitable organizations.

(7) Consumers, businesses, and others engaging in interstate and foreign commerce through the Internet or interactive computer services could become subject to more than 30,000 separate taxing jurisdictions in the United States alone.

(8) The consistent and coherent national policy regarding taxation of Internet activity, and the concomitant uniformity, simplicity, and fairness that is needed to avoid burdening this evolving form of interstate and foreign commerce can best be achieved by the United States exercising its authority under Article I, Section 8, Clause 3 of the United States Constitution.

### SEC. 3. MORATORIUM ON IMPOSITION OF TAXES ON INTERNET OR INTERACTIVE COMPUTER SERVICES.

(a) MORATORIUM.—Except as otherwise provided in this section, no State or political subdivision thereof may impose, assess, or attempt to collect a tax directly or indirectly on—

(1) the Internet or interactive computer services; or

(2) the use of the Internet or interactive computer services.

(b) PRESERVATION OF STATE AND LOCAL TAXING AUTHORITY.—Subsection (a)—

(1) does not apply to taxes imposed on or measured by net income derived from the Internet or interactive computer services;

(2) does not apply to fairly apportioned business license taxes applied to businesses having a business location in the taxing jurisdiction; and

(3) does not affect a State or political subdivision thereof of authority to impose a sales or use tax on sales or other transactions effected by the use of the Internet or interactive computer services if—

(A) the tax is the same as the tax generally imposed and collected by that State or political subdivision thereof on interstate sales or transactions effected by mail order, tele-

phone, or other remote means within its taxing jurisdiction; and

(B) the obligation to collect the tax from sales or other transactions effected by the use of the Internet or interactive computer services is imposed on the same person or entity as in the case of sales or transactions effected by mail order, telephone, or other remote means.

### SEC. 4. ADMINISTRATION POLICY RECOMMENDATIONS TO CONGRESS.

(a) CONSULTATIVE GROUP.—The Secretaries of the Treasury, Commerce, and State, in consultation with appropriate committees of the Congress, consumer and business groups, States and political subdivisions thereof, and other appropriate groups, shall—

(1) undertake an examination of United States and international taxation of the Internet and interactive computer services, as well as commerce conducted thereon; and

(2) jointly submit appropriate policy recommendations concerning United States domestic and foreign policies toward taxation of the Internet and interactive computer services, if any, to the President within 18 months after the date of enactment of this Act.

(b) PRESIDENT.—Not later than 2 years after the date of enactment of this Act, the President shall transmit to the appropriate committees of Congress policy recommendations on the taxation of sales and other transactions affected on the Internet or through interactive computer services.

(c) RECOMMENDATIONS TO BE CONSISTENT WITH TELECOMMUNICATIONS ACT OF 1996 POLICY STATEMENT.—The Secretaries and the President shall take care to ensure that any policy recommendations are fully consistent with the policy set forth in paragraphs (1) and (2) of section 230(b) of the Communications Act of 1934 (47 U.S.C. 230(b)).

### SEC. 5. DECLARATION THAT THE INTERNET BE FREE OF FOREIGN TARIFFS, TRADE BARRIERS, AND OTHER RESTRICTIONS.

It is the sense of the Congress that the President should seek bilateral and multilateral agreements through the World Trade Organization, the Organization for Economic Cooperation Council, or other appropriate international fora to establish that activity on the Internet and interactive computer services is free from tariff and taxation.

### SEC. 6. DEFINITIONS.

For purposes of this Act—

(1) INTERNET; INTERACTIVE COMPUTER SERVICE.—The terms “Internet” and “interactive computer service” have the meaning given such terms by paragraphs (1) and (2), respectively, of section 230(e) of the Communications Act of 1934 (47 U.S.C. 230(e)).

(2) Tax.—The term “tax” includes any tax, license, or fee that is imposed by any governmental entity, and includes the imposition of the seller of an obligation to collect and remit a tax imposed on the buyer.

### THE INTERNET TAX FREEDOM ACT—SECTION-BY-SECTION ANALYSIS

Section 1: Short title: “The Internet Tax Freedom Act”

Section 2: Findings. Sets forth a series of findings, including that the Internet is inherently a matter of interstate commerce; that the Internet operates independently of State lines; that inconsistent and unadministrable taxes imposed on Internet activity by State and local governments subject consumers and businesses to multiple, confusing and burdensome taxation and are creating compliance problems for Internet access providers, vendors and interactive computer service providers; that consumers, businesses and others engaging in interstate commerce through the Internet or inter-

active computer services could become subject to some 30,000 separate taxing jurisdictions in the United States; and that uniformity, simplicity and fairness are needed regarding taxation of Internet activity to avoid burdening this evolving form of interstate commerce.

Section 3: Moratorium on Imposition of Taxes on Internet or Interactive Computer Services—

Subsection (a), establishes a moratorium on direct and indirect state or local taxes on the Internet or interactive computer services or the use of those services.

Subsection (b), preserves state and local authority for taxes for the following types of taxes:

(1) taxes on or measured by net income derived from these services,

(2) fairly apportioned business license taxes, and

(3) sales and use taxes on interstate electronic transactions that are consistent with taxes on mail order and telephone transactions.

Section 4: Administration Policy Recommendations to Congress.

Subsection (a), Establishes a consultative group of the Secretaries of the Treasury, Commerce and State that will work with State and local governments, consumer and business groups and others to examine U.S. and international taxation of Internet and interactive computer services and submit policy recommendations to the President within 18 months of enactment.

Subsection (b), directs the President to transmit to Congress any policy recommendations within two years of enactment.

Subsection (c), seeks to ensure that any policy recommendations are consistent with the 1996 Telecommunications Act policy statement regarding promotion of the Internet and interactive computer services.

Section 5: Declaration that the Internet Be Free of Foreign Tariffs, Trade Barriers, and Other Restrictions

Sets forth the sense of the Congress that the President should seek bilateral and multinational agreements through various international trade organizations to keep the Internet and interactive computer services free from tariffs and taxation.

### Section 6: Definitions

(1) Internet and interactive computer service terms are defined as they are in the Communications Act of 1934, as amended by the 1996 Telecommunications Act.

(2) Defines tax to include any tax, license or fee imposed by any governmental entity and includes the imposition on the seller of an obligation to collect and remit a tax imposed on the buyer.●

### ADDITIONAL COSPONSORS

S. 72

At the request of Mr. KYL, the name of the Senator from Indiana [Mr. COATS] was added as a cosponsor of S. 72, a bill to amend the Internal Revenue Code of 1986 to provide a reduction in the capital gain rates for all taxpayers, and for other purposes.

S. 73

At the request of Mr. KYL, the name of the Senator from Indiana [Mr. COATS] was added as a cosponsor of S. 73, a bill to amend the Internal Revenue Code of 1986 to repeal the corporate alternative minimum tax.

S. 74

At the request of Mr. KYL, the name of the Senator from Indiana [Mr.

COATS] was added as a cosponsor of S. 74, a bill to amend the Internal Revenue Code of 1986 to limit the tax rate for certain small businesses, and for other purposes.

S. 75

At the request of Mr. KYL, the names of the Senator from Colorado [Mr. ALLARD] and the Senator from Alaska [Mr. MURKOWSKI] were added as cosponsors of S. 75, a bill to repeal the Federal estate and gift taxes and the tax on generation-skipping transfers.

S. 76

At the request of Mr. KYL, the name of the Senator from Indiana [Mr. COATS] was added as a cosponsor of S. 76, a bill to amend the Internal Revenue Code of 1986 to increase the expensing limitation to \$250,000.

S. 102

At the request of Mr. BREAUX, the names of the Senator from Maine [Ms. COLLINS], the Senator from Kentucky [Mr. FORD], the Senator from Nevada [Mr. BRYAN], the Senator from Oklahoma [Mr. INHOFE], and the Senator from South Carolina [Mr. THURMOND] were added as cosponsors of S. 102, a bill to amend title XVIII of the Social Security Act to improve medicare treatment and education for beneficiaries with diabetes by providing coverage of diabetes outpatient self-management training services and uniform coverage of blood-testing strips for individuals with diabetes.

S. 181

At the request of Mr. DORGAN, the name of the Senator from South Carolina [Mr. HOLLINGS] was added as a cosponsor of S. 181, a bill to amend the Internal Revenue Code of 1986 to provide that installment sales of certain farmers not be treated as a preference item for purposes of the alternative minimum tax.

S. 191

At the request of Mr. HELMS, the name of the Senator from Nebraska [Mr. HAGEL] was added as a cosponsor of S. 191, a bill to throttle criminal use of guns.

S. 252

At the request of Mr. GREGG, the names of the Senator from Kentucky [Mr. FORD] and the Senator from Florida [Mr. GRAHAM] were added as cosponsors of S. 252, a bill to amend the Internal Revenue Code of 1986 to provide a reduction in the capital gains tax for assets held more than 2 years, to impose a surcharge on short-term capital gains, and for other purposes.

S. 261

At the request of Mr. DOMENICI, the name of the Senator from Oregon [Mr. SMITH] was added as a cosponsor of S. 261, a bill to provide for a biennial budget process and a biennial appropriations process and to enhance oversight and the performance of the Federal Government.

S. 263

At the request of Mr. MCCONNELL, the name of the Senator from New Jer-

sey [Mr. TORRICELLI] was added as a cosponsor of S. 263, a bill to prohibit the import, export, sale, purchase, possession, transportation, acquisition, and receipt of bear viscera or products that contain or claim to contain bear viscera, and for other purposes.

S. 278

At the request of Mr. GRAMM, the name of the Senator from Virginia [Mr. WARNER] was added as a cosponsor of S. 278, a bill to guarantee the right of all active duty military personnel, merchant mariners, and their dependents to vote in Federal, State, and local elections.

S. 357

At the request of Mr. BENNETT, the name of the Senator from Washington [Mr. GORTON] was added as a cosponsor of S. 357, a bill to authorize the Bureau of Land Management to manage the Grand Staircase-Escalante National Monument, and for other purposes.

S. 373

At the request of Mr. KENNEDY, the name of the Senator from Maryland [Ms. MIKULSKI] was added as a cosponsor of S. 373, a bill to amend title XXVII of the Public Health Service Act and part 7 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 to establish standards for protection of consumers in managed care plans and other health plans.

S. 389

At the request of Mr. ABRAHAM, the names of the Senator from Mississippi [Mr. COCHRAN], the Senator from Arizona [Mr. MCCAIN], the Senator from Colorado [Mr. ALLARD], and the Senator from Kansas [Mr. BROWNBACK] were added as cosponsors of S. 389, a bill to improve congressional deliberation on proposed Federal/private sector mandates, and for other purposes.

S. 419

At the request of Mr. BOND, the names of the Senator from Illinois [Mr. DURBIN] and the Senator from Indiana [Mr. LUGAR] were added as cosponsors of S. 419, a bill to provide surveillance, research, and services aimed at prevention of birth defects, and for other purposes.

## SENATE JOINT RESOLUTION 18

At the request of Mr. HOLLINGS, the name of the Senator from Oregon [Mr. WYDEN] was added as a cosponsor of Senate Joint Resolution 18, a joint resolution proposing an amendment to the Constitution of the United States relating to contributions and expenditures intended to affect elections.

## SENATE RESOLUTION 57

At the request of Mr. DORGAN, the name of the Senator from Missouri [Mr. ASHCROFT] was added as a cosponsor of Senate Resolution 57, a resolution to support the commemoration of the bicentennial of the Lewis and Clark Expedition.

## SENATE CONCURRENT RESOLUTION 7—RELATIVE TO COST-OF-LIVING ADJUSTMENTS

Mr. SARBANES (for himself, Ms. MIKULSKI, Mr. WARNER and Mr. AKAKA) submitted the following concurrent resolution; which was referred to the Committee on Governmental Affairs:

## S. CON. RES. 7

Whereas over the years, Federal employees and retirees have regularly been forced to bear a disproportionate share in connection with deficit reduction: Now, therefore, be it

*Resolved by the Senate (the House of Representatives concurring),* That it is the sense of Congress that cost-of-living adjustments for Federal retirees should be paid beginning in January of each year, as current law prescribes, and should not be delayed, whether as part of a budget agreement or otherwise.

Mr. SARBANES. Mr. President, I am pleased to submit along with Senators MIKULSKI, WARNER, and AKAKA, this sense-of-the-Congress resolution. It is a simple resolution which clearly states that it is the sense of the Congress that Federal retiree COLA's should not be delayed.

After 3 years of having their cost-of-living adjustments delayed, Federal retirees finally saw equity restored this year when their COLA adjustment became effective in January instead of April. Federal retirees should continue to receive their COLA on time, in line with all other Federal cost-of-living adjustments.

According to the Congressional Budget Office, the average Federal retiree would lose an estimated \$915 over the next 5 years if a three-month COLA delay is reinstated. To many of our Nation's more than 2 million Federal retirees, this can mean a significant difference in the calculation of their yearly living expenses.

Further delaying Federal retiree COLA's would, in my view, set a dangerous, unfounded precedent where cutting or altering Federal retiree and employee benefits to effect cost savings becomes an all too regular and accepted practice.

Mr. President, Federal retirees have served this Nation with the expectation that the benefits they have earned will be excluded from the pressures of achieving arbitrary budgetary targets. Disparate treatment of COLA recipients goes against longstanding congressional policy that for more than 25 years has ensured COLA equity for all retirees, and I urge my colleagues to join me in support of this important resolution.

• Ms. MIKULSKI. Mr. President, today I am joining with my colleagues, Senator SARBANES, Senator WARNER, and Senator AKAKA to submit a very important resolution. Our resolution states a simple fact—federal retirees should not be singled out for delays in their cost of living adjustments.

As my colleagues know, 1997 was the first year since 1993 that Federal retirees received a timely COLA. Their COLA's were delayed until April for the last 3 years as part of the 1993 deficit reduction plan. They were willing