

The amendment was agreed to.

The CHAIR. The question is on the amendment in the nature of the substitute, as amended.

The amendment was agreed to.

The CHAIR. Under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker pro tempore (Mr. SMITH of Nebraska) having assumed the chair, Mr. SIMPSON, Chair of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H.R. 2289) to reauthorize the Commodity Futures Trading Commission, to better protect futures customers, to provide end-users with market certainty, to make basic reforms to ensure transparency and accountability at the Commission, to help farmers, ranchers, and end-users manage risks, to help keep consumer costs low, and for other purposes, and, pursuant to House Resolution 288, he reported the bill back to the House with an amendment adopted in the Committee of the Whole.

The SPEAKER pro tempore. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment to the amendment reported from the Committee of the Whole? If not, the question is on the amendment in the nature of a substitute, as amended.

The amendment was agreed to.

The SPEAKER pro tempore. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. PETERSON. Mr. 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, further proceedings on this question will be postponed.

PERMANENT INTERNET TAX FREEDOM ACT

Mr. GOODLATTE. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 235) to permanently extend the Internet Tax Freedom Act.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 235

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 “Permanent Internet Tax Freedom Act”.

SEC. 2. PERMANENT MORATORIUM ON INTERNET ACCESS TAXES AND MULTIPLE AND DISCRIMINATORY TAXES ON ELEC- TRONIC COMMERCE.

(a) IN GENERAL.—Section 1101(a) of the Internet Tax Freedom Act (47 U.S.C. 151

note) is amended by striking “during the period beginning November 1, 2003, and ending October 1, 2015”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxes imposed after the date of the enactment of this Act.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Virginia (Mr. GOODLATTE) and the gentlewoman from Texas (Ms. JACKSON LEE) each will control 20 minutes.

The Chair recognizes the gentleman from Virginia.

GENERAL LEAVE

Mr. GOODLATTE. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous materials on H.R. 235, currently under consideration.

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

There was no objection.

Mr. GOODLATTE. Mr. Chairman, I yield myself such time as I may consume.

The clock is ticking down on a key law that protects Internet freedom. On October 1, 2015, a temporary moratorium on State taxation of Internet access will expire.

In 1998, Congress temporarily banned State and local governments from newly taxing Internet access or placing multiple or discriminatory taxes on Internet commerce. With minor modifications, this ban was extended five times, with enormous bipartisan support. The most recent extension passed in 2014.

If the moratorium is not renewed, the potential tax burden on consumers will be substantial. The average tax rate on communications services in 2007 was 13.5 percent, more than twice the average rate on all other goods and services. The FCC’s recent reclassification of the Internet as a telecom service emboldens States to apply these telecom taxes to Internet access immediately, should ITFA lapse.

To make matters worse, this tax is regressive. Low-income households pay 10 times as much in communications taxes as high-income households as a share of income.

The Permanent Internet Tax Freedom Act converts the moratorium into a permanent ban—on which consumers, innovators, and investors can permanently rely—by simply striking the 2015 end date.

This legislation prevents a surprise tax hike on Americans’ critical services this fall. It also maintains unfettered access to one of the most unique gateways to knowledge and engines of self-improvement in all of human history.

□ 1645

This is not an exaggeration. During the 2007 renewal of the moratorium, the Judiciary Committee heard testimony that more than 75 percent of the

remarkable productivity growth that increased jobs and income between 1995 and 2007 was due to investment in telecommunications networks technology and the information transported across them.

Everyone in Silicon Valley knows Max Levchin’s story. He came to America from the Soviet Union at age 16. He had \$300 in his pocket, and he learned English by watching an old TV set he hauled out of a dumpster and repaired. Ten years later, he sold PayPal, a well-known Internet payments platform he cofounded, for \$1.5 billion.

That is the greatness of the Internet. It is a liberating technology that is a vast meritocracy. It does not care how you look or where you come from. It offers opportunity to anyone willing to invest time and effort.

That is precisely why Congress has worked assiduously for 16 years to keep Internet access tax-free. Now we must act again, once and for all.

The Permanent Internet Tax Freedom Act has 188 cosponsors. Identical legislation passed last year on suspension by a voice vote.

Nevertheless, small pockets of resistance remain. They argue that the Internet is no longer a fledgling technology in need of protection. But it is precisely the ubiquity of the Internet that counsels for a permanent extension. It has become an indispensable gateway to scientific, educational, and economic opportunities.

It is the platform that turned Max Levchin from an impoverished immigrant into a billionaire. The case for permanent Internet tax-free access to this gateway technology is stronger today than it ever has been.

It is important to note that PITFA does not address the issue of State taxes on remote sales made over the Internet. It merely prevents Internet access taxes and unfair multiple or discriminatory taxes on e-commerce, whether inside the taxing State or without.

That said, the committee is also eager to proceed with legislation that levels the playing field between traditional and online retailers without letting States tax and regulate beyond their borders. Productive discussions continue.

I would like to specifically thank Ms. ESHOO, Mr. CHABOT, Subcommittee Chairman MARINO, and Subcommittee Ranking Member COHEN for their work on and support of this legislation.

This bipartisan legislation is about giving every American unfettered access to the Internet, which is the modern gateway to the American Dream. I urge all of my colleagues to support it, and I reserve the balance of my time.

Ms. JACKSON LEE. Mr. Speaker, I yield myself such time as I may consume.

We have often worked, in the Judiciary Committee, as Mr. GOODLATTE has so noted, because of the bipartisan leadership, including the offerer of this bill, the gentlewoman from California

(Ms. ESHOO), in a bipartisan manner as it deals with this new phenomena, and when I say “new phenomena,” continually changing phenomena, the Internet and the entire world of social media and the new technologies that we face today in communications.

So, I am always eager to find common ground and would have liked to have done so as we worked together on this very important bill, H.R. 235.

As a senior member of the House Judiciary Committee, and as the ranking member on the Subcommittee on Crime, Terrorism, Homeland Security, and Investigations, coming from Houston, I rise with great concern on H.R. 235, the Permanent Internet Tax Freedom Act.

When originally enacted in 1998, the Internet Tax Freedom Act established a temporary moratorium on multiple discriminatory taxation of the Internet, as well as new taxes on Internet access. This moratorium, however, is due to expire on October 1 of this year.

Since 1998, Congress has extended the moratorium on a temporary basis. The bill before us, H.R. 235, will make that moratorium permanent.

Unfortunately, in doing so, H.R. 235 also ends the act's grandfather protection for States that imposed such taxes prior to the act's enactment. There lies the crux of the problem: intrusion into individual States' authority dealing with taxation and providing them with a bridge of revenue.

H.R. 235 is problematic for several reasons. First, Congress, instead of supporting this seriously flawed legislation, should be focusing on meaningful ways to help State and local governments, taxpayers, and local retailers. The House can do that by addressing the remote sales tax issue.

In addition to extending the expiring moratorium on a temporary basis, the House should take up and send to the Senate legislation that would give States the authority to collect sales taxes from remote sellers. Such a proposal would incentivize remote sellers to collect and remit such taxes, as well as require States to simplify several procedures that would benefit retailers. Such legislation would enable States and local governments to collect more than \$23 billion in estimated uncollected sales taxes each year.

The measure would also help level the playing field for local retailers who must collect sales taxes when they compete with out-of-state businesses that do not collect these taxes. Retail competitors should be able to compete fairly with their Internet counterparts, at least with respect to sales tax policy.

Now, I do know that a lot of our businesses are taking to the Internet, and I applaud that. But before I came here today I spoke before at least 100-plus small businesses. I can tell you that they are worth considering, for many of them are in bricks-and-mortar, and

they are small businesses trying to increase their revenue and trying to employ a number of employees. We should thank them for the energy that they provide to the economy.

I believe the House should do its part and address the remote sales tax disparity before the end of this Congress.

Second, this legislation will severely impact the immediate revenues for the grandfather-protected States and all States progressively in the long term.

The CBO, for example, estimates that this bill will cost certain States several hundred million dollars annually in lost revenues.

Indeed, the Federation of Tax Administrators has estimated that the bill will cause the grandfather-protected States to lose at least \$500 million in lost revenue.

For my home State of Texas, enactment of this bill will result in a revenue loss of \$358 million, and Texas will not be alone in those losses annually.

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

Mr. Speaker, as senior member of the House Judiciary Committee; as the ranking member of the Subcommittee on Crime, Terrorism, Homeland Security, and Investigations; and as the representative from Houston, I rise in opposition to H.R. 235, the “Permanent Internet Tax Freedom Act.”

When originally enacted in 1998, the Internet Tax Freedom Act established a temporary moratorium on multiple and discriminatory taxation of the Internet as well as new taxes on Internet access.

This moratorium, however, is due to expire on October 1st, of this year.

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First, Congress, instead of supporting this seriously flawed legislation, should be focusing on meaningful ways to help state and local governments, taxpayers, and local retailers. The House can do that by addressing the remote sales tax issue.

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Such a proposal would incentivize remote sellers to collect and remit sales taxes as well as require states to simplify several procedures that would benefit retailers.

Such legislation would enable states and local governments to collect more than \$23 billion in estimated uncollected sales taxes each year.

The measure would also help level the playing field for local retailers—who must collect sales taxes—when they compete with out-of state businesses that do not collect these taxes.

Retail competitors should be able to compete fairly with their Internet counterparts at least with respect to sales tax policy.

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The Congressional Budget Office, for example, estimates that this bill will cost certain states “several hundred million dollars annually” in lost revenues.

Indeed, the Federation of Tax Administrators has estimated that the bill will cause the grandfather-protected states to lose at least \$500 million in lost revenue annually.

For my home state of Texas, enactment of this bill will result in a revenue loss of \$358 million per year. Texas will not be alone in these losses, annually: Wisconsin will lose about \$127 million, Ohio will lose about \$65 million, and South Dakota will lose about \$13 million.

Should this bill become law, state and local governments will have to choose whether they will cut essential government services—such as educating our children, maintaining needed transportation infrastructure, and providing essential public health and safety services—or shift the tax burden onto other taxpayers through increased property, income, and sales taxes.

Meanwhile, the Center on Budget and Policy Priorities has estimated that the permanent moratorium will deny the non-grandfathered states of almost \$6.5 billion in potential state and local sales tax revenues each year in perpetuity.

H.R. 235 will burden taxpayers, while excluding an entire industry from paying their fair share of taxes.

Finally, this bill ignores the fundamental nature of the Internet.

The original moratorium was intentionally made temporary to ensure that Congress, industry, and state and local governments would be able to monitor the issue and make adjustments where necessary to accommodate new technologies and market realities.

The Act was intended as a temporary measure to assist and nurture the fledgling Internet that—back in 1998—was still in its commercial infancy. Yet, this bill ignores the significantly changed environment of today's Internet.

The bill's supporters continue to believe that the Internet still is in need of extraordinary protection in the form of exemption from all state taxation.

But, the Internet of 2015 is drastically different from its 1998 predecessor. And, surely the Internet and its attendant technology will continue to evolve.

Permanently extending the tax moratorium severely limits Congress's ability to revisit and make any necessary adjustments.

Simply put, a permanent moratorium is unwise.

In closing, urge my colleagues to oppose H.R. 235.

Mr. GOODLATTE. Mr. Speaker, at this time it is my pleasure to yield 3 minutes to the gentleman from Ohio (Mr. CHABOT), a member of the Judiciary Committee and chairman of the Small Business Committee.

Mr. CHABOT. Mr. Speaker, I want to thank the chairman of the Judiciary Committee, Mr. GOODLATTE, not only for yielding me this time but also for his leadership on promoting and pushing for this bill.

The Internet is an essential component of our economy. It drives innovation, job creation, and has resulted in a higher standard of living for virtually every American.

The bill before us today provides certainty to Americans by making the current law of the land permanent and protecting access to the Internet against new taxes.

Mr. Speaker, there is common ground in this Chamber today. We all agree that the Internet is an essential part of our lives and an incredibly powerful tool for communication, education, and job creation. Let's not make accessing the Internet more costly and more difficult.

The Permanent Internet Tax Freedom Act, H.R. 235, makes the current law of the land permanent and protects access to the Internet from new taxes, and that is why I would urge my colleagues to support the bill.

The Internet, it is essential to our everyday lives. Americans use it to run small businesses, to do research, to apply for jobs, to listen to music, to communicate with friends and family, to check the weather and the traffic, and for so many other things.

Since 1998, Congress has made sure that access to the Internet remains tax-free. Unfortunately, this protection expires in October, at which point taxes could go up on every American who wants to get online.

Now is the time to make sure that this policy remains permanent. Now is the time to protect access to the Internet.

So I want to again thank the chairman of the Judiciary Committee, Mr. GOODLATTE, for his leadership on this issue. Let's make sure that access to the Internet stays tax-free. That is the way it is under the existing law. What we are trying to do is to make that permanent. I would urge my colleagues to do that.

Ms. JACKSON LEE. Mr. Speaker, it gives me great pleasure to yield 4 minutes to the gentlewoman from California (Ms. ESHOO), the longstanding author of this legislation.

Ms. ESHOO. I thank the gentlewoman from Texas.

Mr. Speaker, I rise in strong support of H.R. 235, the Permanent Internet Tax Freedom Act.

Now, whether it is communication, commerce, business, education, re-

search, access to the Internet is today an integral part of the everyday life of millions of Americans and people around the world. And we take great pride in this because this is an American invention.

Just this month, the GAO released a new report which found that broadband affordability continues to be the most frequently identified barrier to adoption.

Now, this whole issue of taxation for access to the Internet, this is not the collection of taxes across State lines. That is another issue.

There are over 10,000 taxing agencies in the United States today. Imagine if we, you, your constituents, everyone in the country who uses the Internet has to pay for access to the Internet every time they go to use it, that they would be taxed on that.

So, the temporary, or the moratorium bill that we have, now this one makes it permanent. This is a bipartisan effort. Over 200 cosponsors in the Congress are on it.

We want to encourage expanded broadband adoption. If you tax it, you are going to shrink it. And I think in the communities that are of lower economic means, this is going to hurt them even more.

We need to do everything we can to ensure that Internet access is universally affordable. This bill is an important component of that effort by permanently eliminating the taxation of Internet access.

The current moratorium, as my colleagues have said, expires October 1, and we want to be ahead of that to keep the door open, but no taxation to access.

I want to salute the chairman, Chairman GOODLATTE. We are good friends. We have worked on other efforts.

As I said, this bill has nearly 200 bipartisan cosponsors and strong support of the communications, Internet, and e-commerce industries. So I would urge all of my colleagues to support this, and understand that, from the ground up, we want to expand the use of broadband in our country for every community. Whether they are poor, whether they are rural, whether they are in a city, whether they are middle class individuals, we don't want to weigh the Internet down with taxation of average people in this country. It would really be unfair, and I think it would smother the Internet as we know it.

Mr. GOODLATTE. Mr. Speaker, I have only one speaker remaining. I believe I have the right to close, so if the gentlewoman has additional speakers, I reserve the balance of my time.

Ms. JACKSON LEE. Mr. Speaker, I am delighted to yield 1½ minutes to the distinguished gentleman from Tennessee (Mr. COHEN), who is the ranking member on the Judiciary Committee's Regulatory Reform, Commercial and Antitrust Law Subcommittee.

Mr. COHEN. Mr. Speaker, I thank the gentlewoman for providing the time,

and I want to thank her for her good work.

I also want to thank the chairman of the committee for bringing this bipartisan bill, which is bipartisan. I signed on to this bill, I guess, with Representative ESHOO and maybe Representative GOODLATTE, back in 2007 because it is my belief that the Internet is a necessity, and it is a necessity in minority communities who need that outreach to information, whether it is educational or commercial, to reach out and be a part of the society. Without the Internet, you can't do that.

Now, the gentlewoman from Texas and my State, Tennessee, neither have an income tax, and therefore, our governments rely on taxes that tend to be regressive. I think Tennessee is the most regressive State in the country on its taxes, very high sales tax.

And the local governments will reach out for anything they can find to tax to make up for the fact that our State doesn't have a progressive tax base.

□ 1700

I want to protect my constituents against regressive taxes at all levels and protect them against taxes that might limit their potentiality of getting access to the World Wide Web and information they need.

So I am proud to be a sponsor of this, to work with the gentleman from Ohio (Mr. CHABOT), with whom I have worked on so many bills together, trying to get the Delta Queen going back down the river and all these other things, and the gentleman from Virginia (Mr. GOODLATTE), the chairman on the Judiciary Committee. I thank them for their work and hope they will all vote for this in a bipartisan fashion. I hope the Senate will, as they did on the USA FREEDOM Act, follow the lead of the House and show that the House leads.

Mr. GOODLATTE. Mr. Speaker, I reserve the balance of my time.

Ms. JACKSON LEE. Mr. Speaker, I yield myself the balance of my time.

First of all, let me again say that in the Judiciary Committee, we have consistently worked together on issues dealing with the Internet, continue to work together on issues dealing with innovation, so I would hope as this bill makes its way to the Senate we will find an opportunity to work together again.

But I want to make mention of the fact that in addition to Texas, Wisconsin will lose about \$127 million, Ohio will lose about \$65 million, and South Dakota will lose about \$13 million. Should this bill become law, State and local governments will have to choose whether they will cut essential government services, such as educating our children, maintaining needed transportation infrastructure, and providing essential public health and safety services, or shift the tax burden onto other taxpayers to increase property income and sales taxes.

Now let me be very clear: I am not interested in taxing the Internet. I am

interested in the process that most States are utilizing. It is the purchase of items that juxtapose against those who have bricks and mortar, and particularly small businesses.

Meanwhile, the Center on Budget and Policy Priorities has estimated that the permanent moratorium will deny the non-grandfathered States of almost \$6.5 billion in potential State and local sales tax revenue—sales tax, not access to the Internet.

H.R. 235 will burden taxpayers while excluding an entire industry from paying their fair share of taxes. I want this industry to grow, and, again, I do not want taxing on access. You can be on the Internet from morning until the early sunrise again, the next day. But for those States who have worked and worked with our committee, trying to find a pathway forward, I would like to see us find a compromise.

Finally, this bill ignores the fundamental nature of the Internet. The original moratorium was intentionally made temporary to ensure Congress, industry, and State and local governments would be able to monitor the issue and make adjustments where necessary to accommodate new technologies and market realities, such as acts. The act was intended as a temporary measure to assist and nurture the fledgling Internet that back in 1998 was still in its commercial infancy, yet this bill ignores the significantly changed environment of today's Internet.

The bill's supporters continue to believe that the Internet still is in need of extraordinary protection in the form of exemptions from State taxation, but the Internet of 2015 is drastically different from 1998. It is standing on its own two legs. It is not a toddler. It is a full-grown adult.

Permanently extending the tax moratorium severely limits Congress' ability to revisit and make any necessary adjustments, though I hope we will.

Simply put, the permanent moratorium is unwise, and I urge my colleagues to consider the problems of H.R. 235. H.R. 235, I think, should be addressing these issues dealing with the many who have opposed it.

Let me, as I close, mention that the National Governors Association recently introduced the following statement: "The National Governors Association is disappointed that the House Judiciary Committee is moving to make the Internet access tax moratorium permanent."

NGA STATEMENT REGARDING INTERNET ACCESS TAX

[For Immediate Release, June 17, 2014]

WASHINGTON—The National Governors Association today released the following statement regarding the Internet access tax moratorium:

"The National Governors Association (NGA) is disappointed that the House Judiciary Committee is moving to make the Internet access tax moratorium permanent.

"Federal prohibitions on state taxing authority are contrary to federalism and the sovereign authority of states to structure and manage their own fiscal systems.

"NGA encourages the committee instead to act to address the disparity between Main Street retailers and online sellers regarding the collection of state and local sales taxes. Leveling the playing field for all retailers is a priority for governors, consistent with federalism and the best opportunity for states, Congress and the business community to work together."

Ms. JACKSON LEE. I would like to make note that I came from local government, so I have a letter signed by representatives of the National Association of Counties, National League of Cities, U.S. Conference of Mayors, International City/County Management Association, Government Finance Officers Association, and the National Association of Telecommunications Officers and Advisors. In part, they simply say that they are writing on behalf of local governments: "We urge you to oppose the legislation. . . . The most recent estimates provided by the Congressional Budget Office," they write, "indicate that, if enacted, H.R. 3086 would cost State and local governments hundreds of millions of dollars in lost revenues."

NATIONAL ASSOCIATION OF COUNTIES, NATIONAL LEAGUE OF CITIES, U.S. CONFERENCE OF MAYORS, INTERNATIONAL CITY/COUNTY MANAGEMENT ASSOCIATION, GOVERNMENT FINANCE OFFICERS ASSOCIATION, NATIONAL ASSOCIATION OF TELECOMMUNICATIONS OFFICERS AND ADVISORS

July 8, 2014.

DEAR REPRESENTATIVE: On behalf of local governments across the nation, our organizations write to express our continuing opposition to H.R. 3086, the Permanent Internet Tax Freedom Act. We urge you to oppose the legislation when it is considered on the House floor.

The most recent estimates provided by the Congressional Budget Office indicate that, if enacted, H.R. 3086 would cost state and local governments hundreds of millions of dollars in lost revenues. These are revenues that local governments rely upon to fund essential services in their communities, including well-trained firefighters and police officers; schools, parks, community centers and libraries to support youth; retirement security for dedicated career employees; and continued investments to fix aging infrastructure.

In addition, now that Internet access is ubiquitous and its use generates scores of billions of dollars in revenue annually, it no longer justifies protection from state and local taxation. When the law was first enacted in 1998, the Internet access and commerce industries were in their infancy and only beginning to be significantly available to households. The intent of the moratorium was to give the then-nascent Internet industry time to grow and become established. However, even at that time, Congress recognized that the ban should not be permanent.

Finally, as the telecommunications and cable service industries transition to broadband, the scope of what the ITFA immunizes from state and local taxation is rapidly expanding. Over time, the ITFA would arbitrarily exempt this fast growing, prosperous sector of the economy from taxation, and unfairly shift the burden of supporting essential local services onto other businesses and residents in a community.

For all of these reasons, we urge you to vote against the Permanent Internet Tax Freedom Act, H.R. 3086.

Sincerely,

Matthew D. Chase, Executive Director, National Association of Counties;

Clarence E. Anthony, Executive Director, National League of Cities;

Tom Cochran, Executive Director, U.S. Conference of Mayors;

Robert J. O'Neill, Executive Director, International City/County Management Association;

Jeffrey L. Esser, Executive Director, Government Finance Officers Association;

Stephen Traylor, Executive Director, National Association of Telecommunications Officers and Advisors.

Ms. JACKSON LEE. I want to be very clear: I am here, as many Members are, to extend our hand of friendship for the protection of the Internet and the question of sales on the Internet. I hope we will be able to do that. I ask my colleagues to consider the failings of the present bill and to, in its present form, oppose it.

TO MEMBERS OF THE TEXAS CONGRESSIONAL DELEGATION: As some of you already know, this bill would make permanent the Internet Tax Freedom Act and, importantly for Texas, would repeal the existing grandfather clause that has been in place since the original passage of the Act in 1998 that has allowed Texas to impose sales and use taxes on Internet access services at the state and local level.

The Texas legislature just finished its regular session on June 1, and while it decided to cut property and franchise taxes, it chose to maintain the sales and use tax imposed on these services and anticipates receiving that revenue during the next two year budget cycle.

The estimated revenue loss to the state and local jurisdictions if the grandfather is not extended is as follows:

State: \$280 million
City: 51
Transit: 18
County: 5
Special districts: 4
Total: \$358 million (per year)

Please feel free to get in touch with me if you need input from the Comptroller's office on this or any other state/local tax bills that come before the House.

Thanks,

NANCY L. PROSSER,
*Special Counsel to the
Deputy Comptroller,
Texas Comptroller of
Public Accounts.*

JUNE 8, 2015.

LABOR UNIONS OPPOSE H.R. 235 (PITFA) BAN ON STATE & LOCAL GOVERNMENT TAXES ON INTERNET ACCESS.

DEAR REPRESENTATIVE: We, the undersigned labor unions, oppose a federal ban on the authority of state and local governments to impose taxes on internet access. We strenuously oppose the "Permanent Internet Tax Freedom Act" (H.R. 235), which would ban these internet access taxes permanently. This type of federal tax preemption is typically unwarranted because it restricts state and local government taxing authority unnecessarily, narrows the tax base, and often leads to harmful unintended consequences. In this case, the internet's huge economic value, its vast and expanding importance to daily life, and the vague statutory definition of "internet access" makes this particular carve out especially troubling and likely to cause fiscal problems. By restricting state

and local taxing authority, this bill reduces the ability of state and local governments to raise funds to invest in needed infrastructure, education, health care, job training, and other vital public services.

While a short-term ban is less troubling than a permanent ban, any ban remains problematic and harmful to state and local government finances. Ideally, the existing temporary ban should be allowed to expire as scheduled on September 30, 2015. As new internet-based technology and related applications increasingly affect our daily lives and rapidly transform our economy, we are extremely wary of a ban that is permanent. Congress should be extremely cautious before supporting a permanent tax exemption for internet access. Moreover, it would set harmful, inappropriate, and costly precedents that could spillover into other sectors of our economy.

Years ago, some opined the internet needed time to grow because it was weak, tiny, or immature. In contrast, today's internet is an enormously powerful driver of our economy, a central part of our daily lives, and an enormously valuable well developed industry. As the internet continues providing new transformative services to businesses and consumers, its importance to America's economy grows. Prohibiting these taxes would unfairly exempt this economic sector from contributing to our common well being and communities. In addition, this unneeded and undeserved carve out would unfairly shift its share of taxes to other services, sectors, and stakeholders. There is no reason to exempt internet providers and users from state and local government taxes.

Our labor unions urge you to oppose the "Permanent Internet Tax Freedom Act" (H.R. 235) and any similar ban on state and local government taxes on internet access.

American Federation of Labor and Congress of Industrial Organizations (AFL-CIO); American Federation of State, County and Municipal Employees (AFSCME); American Federation of Teachers (AFT); Amalgamated Transit Union (ATU); Communications Workers of America (CWA); Department for Professional Employees, AFL-CIO (DPE); International Association of Fire Fighters (IAFF); International Federation of Professional and Technical Engineers (IFPTE); International Union of Police Associations (IUPA); National Education Association (NEA); Service Employees International Union (SEIU); International Union, United Automobile, Aerospace & Agricultural Implement Workers of America (UAW).

Ms. JACKSON LEE. With that, I yield back the balance of my time.

Mr. GOODLATTE. Mr. Speaker, I yield myself the balance of my time.

The last thing the American people need is another tax bill at their door come October. If the ban lapses, State telecommunications taxes could take effect, and those rates are already too high. Basic economics teaches that, as price rises, demand falls.

Former White House Chief Economist Austan Goolsbee estimated that a tax that increased the price of Internet access by 1 percent would reduce demand for Internet access by 2.75 percent. This bill ensures that access to the Internet—this unparalleled engine of social mobility—remains tax-free. That is why this bill is so overwhelmingly popular. Nevertheless, I believe it is proper to counter the criticisms of the small pockets of resistance that remain.

The opponents' chief argument is that the bill would cost the States \$6.5 billion annually. This argument confuses an out-of-pocket loss with prevention of a gain. States cannot currently tax Internet access, so they will suffer no actual revenue loss. The only out-of-pocket loss would be to taxpayers in 44 States who will owe an additional \$6.5 billion annually should it expire. They will have to pay taxes that they don't have to pay now.

Nevertheless, some of our colleagues would prefer to extend the moratorium temporarily rather than permanently. That is simply inefficient. The moratorium has been periodically renewed by enormous bipartisan margins in both Houses for 16 years. No serious expectations are being upset by codifying what everyone knows is the case: the moratorium is not going away.

The grandfathers will be eliminated, but that only affects six States that have had more than enough time to transition to other sources of revenue, which was the original intent of the grandfather clauses. If those States still need more time, I am open to working with the Senate on a final phaseout.

Opponents also argue that PITFA creates unequal treatment of similar services. The example given is landline phone service, which is taxable, versus Skype which, under PITFA, is accessible tax-free. But this happens because Skype's basic service is free; Skype's paid service is taxable. Indeed, PITFA specifically provides that Internet phone service is taxable.

More importantly, this neutrality argument conflates a service with the access to it.

The toll road on the way to the shopping mall is not the same as the sales tax paid at the mall. PITFA is neutral because Skype's paid service remains taxable, just like landline service.

True, there is no tax on Skype's basic service because it is free, but that is the function of Skype's revenue model, not a different tax treatment of the same service.

This legislation has enormous bipartisan support precisely because Members on both sides of the aisle already understand the flaws in these objections. I catalog them here merely to complete the record.

This is a great issue for the Congress to move forward on in a bipartisan fashion that will help to create jobs and economic growth and foster continued greater access to the unparalleled opportunities that Internet access provides. I urge my colleagues to support this legislation.

I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Virginia (Mr. GOODLATTE) that the House suspend the rules and pass the bill, H.R. 235.

The question was taken; and (two-thirds being in the affirmative) the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

FOREIGN CULTURAL EXCHANGE JURISDICTIONAL IMMUNITY CLARIFICATION ACT

Mr. GOODLATTE. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 889) to amend chapter 97 of title 28, United States Code, to clarify the exception to foreign sovereign immunity set forth in section 1605(a)(3) of such title.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 889

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 "Foreign Cultural Exchange Jurisdictional Immunity Clarification Act".

SEC. 2. CLARIFICATION OF JURISDICTIONAL IMMUNITY OF FOREIGN STATES.

(a) IN GENERAL.—Section 1605 of title 28, United States Code, is amended by adding at the end the following:

“(h) JURISDICTIONAL IMMUNITY FOR CERTAIN ART EXHIBITION ACTIVITIES.—

“(1) IN GENERAL.—If—

“(A) a work is imported into the United States from any foreign country pursuant to an agreement that provides for the temporary exhibition or display of such work entered into between a foreign state that is the owner or custodian of such work and the United States or one or more cultural or educational institutions within the United States,

“(B) the President, or the President's designee, has determined, in accordance with subsection (a) of Public Law 89-259 (22 U.S.C. 2459(a)), that such work is of cultural significance and the temporary exhibition or display of such work is in the national interest, and

“(C) the notice thereof has been published in accordance with subsection (a) of Public Law 89-259 (22 U.S.C. 2459(a)), any activity in the United States of such foreign state, or of any carrier, that is associated with the temporary exhibition or display of such work shall not be considered to be commercial activity by such foreign state for purposes of subsection (a)(3).

“(2) NAZI-ERA CLAIMS.—Paragraph (1) shall not apply in any case asserting jurisdiction under subsection (a)(3) in which rights in property taken in violation of international law are in issue within the meaning of that subsection and—

“(A) the property at issue is the work described in paragraph (1);

“(B) the action is based upon a claim that such work was taken in connection with the acts of a covered government during the covered period;

“(C) the court determines that the activity associated with the exhibition or display is commercial activity, as that term is defined in section 1603(d); and

“(D) a determination under subparagraph (C) is necessary for the court to exercise jurisdiction over the foreign state under subsection (a)(3).

“(3) DEFINITIONS.—For purposes of this subsection—

“(A) the term ‘work’ means a work of art or other object of cultural significance;

“(B) the term ‘covered government’ means—

“(i) the Government of Germany during the covered period;