

**UNIONS OPPOSE PERMANENT INTERNET ACCESS TAX BAN;
SUPPORT TEMPORARY EXTENSION AS A REASONABLE COMPROMISE**

September 25, 2007

Dear Senator:

We are writing to express our strong support for S. 1453, the "Internet Tax Freedom Act Extension." This bipartisan legislation introduced by Senators Carper (D-DE) and Alexander (R-TN) is a reasonable and practical compromise position at this time.

The Carper-Alexander legislation would extend the Internet Tax Freedom Act (ITFA) for four more years, retain the original 1998 grandfather provision, and modify the overly broad definition of tax-exempt "Internet access" to address the concerns of states and localities. The bill also closes loopholes in the original 1998 definition that could allow an Internet Service Provider (ISP) to bundle tax-free Internet access with other additional taxable services and then sell this mixed bundle of tax-free and taxable services as tax free.

Another temporary extension is needed because Internet technology is changing very rapidly and it would be unwise to lock in a highly discriminatory policy that favors one technology and one industry over others. The last time the Senate considered this issue it was suggested that a short-term extension would continue the original intent of Congress to keep basic Internet access tax-free while technological advancement continues. Ironically, in many ways, the purpose of the act has already been achieved in that the Internet has been allowed to expand without any taxes at its critical start-up phase. In fact, the evidence from nine states where Internet access charge taxes are grandfathered and 14 developed nations that outrank the U.S. in broadband adoption makes it clear that taxing policies have had no impact on either the expansion of the Internet or the ability of families and individuals to have access to the Internet. And, while the best possible course would be to let the temporary moratorium expire, we feel the Carper-Alexander-Moratorium Extension bill (S. 1453) is a reasonable way to proceed at this time and a far better alternative than a permanent moratorium.

We strongly oppose making the ITFA permanent or eliminating the grandfather clause because of the adverse impact such action would have on the sovereign taxing power of state and local governments and their ability to fund health care, education, public safety and other vital public services. We also oppose making the current and overly broad definition of Internet access permanent because it threatens billions of dollars in annual revenues that states and localities collect today. To get a sense of the harm this would do, the Multistate Tax Commission estimates that each \$1 billion in lost state and local revenue would pay the salaries of more than 24,000 teachers, or 19,000 police, or 19,000 firefighters, or 27,000 hospital workers.

We hope you will support efforts to protect state and local governments from the loss of critical revenues when they are struggling to fund vital services.

Sincerely,

American Federation of State, County and Municipal Employees
American Federation of Teachers
National Education Association
International Association of Fire Fighters
Communications Workers of America
AFL-CIO
Department for Professional Employees, AFL-CIO
Service Employees International Union (SEIU)
United Food and Commercial Workers Union
Laborers' International Union of North America