

June 26, 2012

Re: Unions Oppose “Digital Goods and Services Tax Fairness Act” (H.R. 1860)

Dear Representative:

The undersigned labor unions oppose the “Digital Goods and Services Tax Fairness Act” (H.R. 1860), which is scheduled for a June 28 mark-up in the House Judiciary Committee.

We oppose H.R. 1860 because it would restrict state and local government taxing authority, reduce corresponding government revenues significantly, and even increase tax avoidance opportunities for multi-state corporations selling physical goods via the internet. H.R. 1860 would restrict the right of states and localities to tax both online services such as payroll processing, website hosting, or photo storage; and online products such as downloaded movies, music, or games. Currently, these are fundamental revenue options and in the future, they will represent a growing revenue source. We urge you to oppose H.R. 1860.

We are troubled that H.R. 1860 would allow many large profitable corporations to completely avoid paying sales taxes on their purchases of online services – even if these services are taxable in both the seller’s and buyer’s jurisdictions. Furthermore, H.R. 1860 would encourage millions of internet vendors (“e-tailers”), selling via online marketplaces like Amazon, to continue evading existing sales taxes. In addition, H.R. 1860 would repeal existing sales taxes of at least 30 states on downloaded computer software – despite the fact that brick and mortar retailers are required to impose sales taxes on identical software. By increasing tax avoidance opportunities and repealing existing taxes, H.R. 1860 prevents states and localities from raising the funds needed to invest in education health care, infrastructure, and other vital public services.

We are very concerned that the revenues losses imposed by H.R. 1860 will rise rapidly in the future as more and more business-to-business, information, and infotainment services use internet-based technologies. Given the rapid pace of technological change, now is the wrong time to implement restrictions on this growing sector and impose preferential treatment on some online industries. Finally, enacting H.R. 1860 would also encourage additional troubling proposals to preempt other state and local taxes on specific business activities, economic sectors, and individual goods or services.

We urge you to oppose H.R. 1860.

Sincerely,

American Federation of Labor and Council of Industrial Organizations (AFL-CIO)

American Federation of State, County and Municipal Employees (AFSCME)

Department for Professional Employees, AFL-CIO

International Association of Fire Fighters (IAFF)

International Federation of Professional and Technical Engineers (IFPTE)

National Education Association (NEA)

The International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW)