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Details:

(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2007-08

(session year)

Senate

(Assembly, Senate or Joint)

Committee on ... Campaign Finance Reform, Rural Issues, and Information Technology (SC-CFRRIT)

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
 - (**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
 - (**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

Senate

Record of Committee Proceedings

Committee on Campaign Finance Reform, Rural Issues and Information Technology

Senate Bill 113

Relating to: excluding Internet access services from the definition of telecommunications services for sales and use tax purposes.

By Senators Leibham, Kanavas, Darling, Grothman, Kedzie, Olsen, Plale and Schultz; cosponsored by Representatives Zipperer, Kramer, Albers, Ballweg, Gundrum, Kerkman, F. Lasee, LeMahieu, Lothian, Molepske, Moulton, Nass, Nygren, Petrowski, Pridemore, Roth, Strachota, Suder, Van Roy, Vos, Vukmir and Ziegelbauer.

March 23, 2007 Referred to Committee on Campaign Finance Reform, Rural Issues and Information Technology.

March 3, 2008 **PUBLIC HEARING HELD**

Present: (0) None.

Absent: (0) None.

Appearances For

- None.

Appearances Against

- None.

Appearances for Information Only

- None.

Registrations For

- None.

Registrations Against

- None.

Registrations for Information Only

- None.

March 13, 2008 Failed to pass pursuant to Senate Joint Resolution 1.

Kathy Daggs
Committee Clerk



STATE REPRESENTATIVE

RICH ZIPPERER

January 23, 2008

Senator Pat Kreitlow
Senate Committee on Campaign Finance Reform, Rural Issues and Information Technology
Room 10 South
State Capitol

Dear Chairman Kreitlow,

I write today to respectfully ask that you hold a public hearing on Senate Bill 113. I authored this legislation to bring Wisconsin into compliance with the federal Internet Tax Freedom Act, originally signed into law by President Bill Clinton in 1998. Last October, the United States Congress voted to extend the Internet Tax Freedom Act for another seven years without a single vote in opposition. President Bush signed the extension into law in November.

Unfortunately, Wisconsin was one of the first states in the nation to tax people for simply signing onto the internet, going back to the administration of Governor Thompson. As a result, we were grandfathered out of the moratorium that President Clinton signed in 1998. When the federal government extended the moratorium in 2004, the Wisconsin Department of Revenue failed to take advantage of the bipartisan will of Congress to end the grandfathered tax, maintaining Wisconsin's collection of this tax that is banned in just about every other corner of the country.

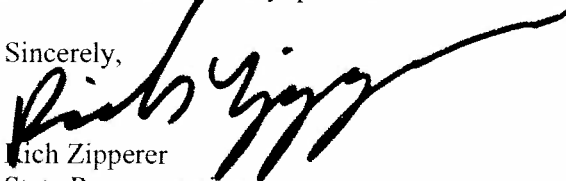
Wisconsin will continue to fall behind our neighbors as long as Wisconsin's businesses and families are put at a competitive disadvantage through our high tax burden. Bringing Wisconsin into compliance with this federal bipartisan tax moratorium would be a great place to start.

In the Assembly, the companion bill, AB223, was approved by the Committee on Energy and Utilities by a unanimous 10-0 vote on January 22, 2008 and will be scheduled for a floor vote in the near future. I hope the Senate will join the Assembly, the United States Congress, and Presidents Clinton and Bush in working to end this unfair and regressive tax.

Again, I respectfully ask for a public hearing on SB113 so the Senate can join the Assembly and end this federally-banned tax and provide millions in tax relief for families and small businesses throughout Wisconsin.

Please call me with any questions.

Sincerely,


Rich Zipperer
State Representative

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Jim Doyle
Governor

Roger M. Ervin
Secretary of Revenue

Senate Campaign Finance Reform, Rural Issues and Information Technology Committee Hearing, March 3, 2008

SB 113- Exempting Internet Access Services from Sales and Use Tax (Sen. Leibham)

Description of Current Law and Proposed Change

Federal legislation (HB 3678) was recently enacted to extend to 2014 the general moratorium on the imposition of sales taxes on Internet access. The legislation, however, included a grandfather clause allowing the continuation of certain existing taxes on Internet access, including the tax imposed by the State of Wisconsin.

Under Wisconsin law, Internet access is a telecommunications service and, therefore, subject to sales and use tax.

The bill defines the terms "Internet" and "Internet access service" and exempts Internet access service from sales and use tax. The bill is effective the first day of the second month beginning after publication.

Fairness/Tax Equity

- SB 113 singles out Internet access from other telecommunications services for preferential tax treatment. While the protection of Internet access from taxation may be viewed as important to avoid inhibiting the growth of new sectors of the economy, the Internet has become a well established means of conducting commerce for both businesses and individuals.
- The exemption under the bill narrows the tax base and, thereby, shifts more of the costs of government to other taxpayers. Exempting new sectors of the economy places more of the tax burden on older and slower growing industries and may produce tax revenues inadequate to fund public services.

Impact on Economic Development

- To the extent the cost of Internet access decreases under the bill, sales of Internet access service may increase. In response, Internet access providers may invest additional capital to meet the increased demand. However, it is not clear whether the tax reduction under the bill is necessary to increase demand and stimulate investment.
- The exemption under the bill may reduce the cost of Internet access for low-income households.

Administrative Impact/Fiscal Effect

- Telecommunications services are often bundled (for example, local and long distance calling, and Internet access for a single price). These bundled services often are provided over the same wires and use much of the same equipment. Exempting Internet access, while continuing to tax other telecommunications services, may, increase compliance costs for taxpayers, add legal costs for all parties to settle disputes regarding what is taxable, and increase administrative costs of the Department of Revenue.
- Assuming the bill is effective March 1, 2008, the bill is estimated to decrease state sales taxes by \$11.2 million in FY08 and \$35.6 million in FY09. In addition, county, baseball park, and football stadium district sales and use taxes would decrease by \$0.9 million in FY08 and \$2.7 million in FY09.
- To the extent telecommunications companies allocate more of the cost of a package of services to Internet access and less to taxable telecommunications, these revenue decreases may be larger.
- Technical Concern: The federal Internet Tax Freedom Act provides that the term Internet access does not include voice, audio or video programming, or other products and services (not elsewhere included in Internet access) that utilize Internet protocol and for which there is a charge. Voice transmissions, at least, seem to be clearly excluded from the definition of Internet access. However, the definition of Internet access service in this bill is broad enough to include VOIP and other telecommunications (e.g., ordinary telephone calls and data transmissions) provided using the Internet. Total Wisconsin sales taxes on telecommunications are estimated to be \$215 million in 2007. These include state taxes of \$200 million and local taxes of \$15 million. The bill puts these revenues at risk. The bill could be amended to use the ITFA definition of Internet access if there is to be an exemption. Otherwise, it appears that the exemption would include any telecommunications services provided via the Internet.

Contact: Sherrie Gates-Hendrix, (608) 267-1262





COUNTY EXECUTIVE
WILLIAM L. McREYNOLDS

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March 3, 2008

The Honorable Pat Kreitlow
The Honorable Jon Erpenbach
The Honorable Julie Lassa
The Honorable Ted Kanavas
The Honorable Dan Kapanke

Re: Senate Bill 113

To the Chairman and Members of the Senate Committee on Campaign Finance Reform,
Rural Issues and Information Technology:

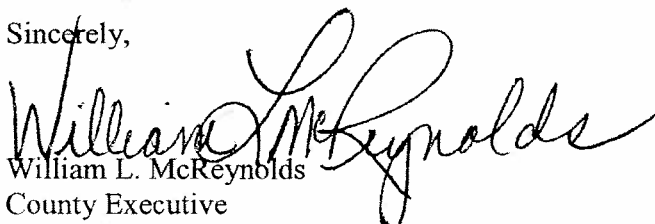
I am writing to express my strong support for Senate Bill (SB) 113, which would exclude Internet access services from the definition of "telecommunications services" for purposes of the sales and use tax. This exclusion would mean that Internet access services would not be subject to Wisconsin sales and use taxes.

I am committed to supporting the elimination of unnecessary barriers to economic growth in Racine County and in the state as a whole. We live in an era of virtual corporations, domestic and global contracting, "just in time" deliveries, and farming by computer and GPS. Every kind of economic activity—from Wisconsin standbys like dairy farming and smokestack industries, to the most cutting-edge enterprises—must rely on the Internet. Thus, Internet service is a crucial cost of doing business.

By continuing to be one of a handful of states that imposes a sales and use tax on Internet service, Wisconsin sets up just one more barrier to the growth of existing businesses and the attraction of new ones. It makes an essential service more expensive in Wisconsin than in almost any other state.

I urge your quick and favorable consideration of this bill, which will help encourage more people to establish and keep their businesses—and jobs—in our state.

Sincerely,


William L. McReynolds
County Executive





STATE REPRESENTATIVE

RICH ZIPPERER

**Submitted Testimony of Rep. Rich Zipperer
Senate Bill 113- The Internet Tax Freedom Act
Committee on Campaign Finance Reform, Rural Issues & Information Technology
March 3rd, 2008**

Mr. Chairman and committee members, thank you for holding this hearing today on Senate Bill 113, a bill that will bring Wisconsin into compliance with a national bipartisan effort to keep internet access tax-free.

In November of last year, the US Congress showed that bipartisanship isn't dead just yet, when Democrats and Republicans, conservatives and liberals, came together to pass a 7 year extension on the federal internet access tax moratorium. And, like his Democratic predecessor, President Clinton, Republican President George W. Bush signed the moratorium extension into law. Not a single Member of Congress voted against the extension on its way to the Oval Office.

This success at the federal level is evidence of the need to encourage our families and businesses to become tech savvy in the burgeoning information age. By extending the internet access tax moratorium, Congress has demonstrated the understanding that our nation cannot afford to put a growing sector of the economy at a disadvantage with our global competition.

This bipartisan success story, however, has been stopped in its tracks at the Illinois border. Here in Wisconsin, the federal ban will do nothing for taxpayers because here the bipartisan efforts have been in the exact opposite direction. Since the early 1990s, the Department of Revenue, under both Republican and Democratic governors, has insisted upon collecting an internet access tax. As a result, Wisconsin families and businesses will have to pay over \$70 million in the next two years for a tax that is banned in almost every other corner of the country. This creates a significant competitive disadvantage for our state.

The Internet Access Tax is the sales tax you pay on the internet service to your home or business. Every time you pay your monthly internet bill, 5% goes to the state. When you consider how many families and small businesses in Wisconsin have internet service, the price tag skyrockets. According to the Department of Revenue, the cost to consumers in 2008 will be \$35.6 million and \$38.3 million in 2009. And, it will only go up from there as more and more households and companies rely on internet access for their daily business.

While the tax has been banned at the federal level since 1998, because of a grandfather clause in the initial federal ban and the Department of Revenue's unwillingness to give up this source of revenue, Wisconsin continues to collect the tax, as it has since 1991.

To finally end this tax in Wisconsin and help our state compete in the Information Age, Senator Leibham and I have authored the Internet Tax Freedom Act to prohibit the Department of Revenue from collecting the tax.

(continued...)

Representative Rich Zipperer
SB 113 Testimony
March 3rd, 2008
Page 2

Ending this regressive tax will make a real difference for household budgets throughout Wisconsin. The beneficiaries will be the small businesses in Wisconsin who decide to use the internet to help their businesses run more efficiently and reach more customers, and the families struggling to make ends meet who, if the tax were ended, could afford the internet to help their kids with homework and become better prepared for college and the computer-driven world ahead. Just as importantly, once this tax is ended Wisconsin technology companies will finally be on even footing with their competitors around the country.

As the information sector becomes an ever more important part of the worldwide economy, we must show that Wisconsin is ready and able to compete for jobs and investment. Catching up with the rest of the country by ending the internet access tax is a great place to start.

To conclude, I'd like to bring your attention to an official October 8, 1998 press statement from President Bill Clinton regarding this issue:

"I am pleased that the Senate has joined the House in passing the Internet Tax Freedom Act. This bill will create a short-term moratorium on new and discriminatory taxes that would slow down the growth of the Internet, and launch a search for long-term solutions to the tax issues raised by electronic commerce. As I said earlier this year in my speech on Internet policy, we cannot allow 30,000 state and local tax jurisdictions to stifle the Internet."

President Clinton was right, taxes like this stifle the Internet, and that is why we must end this tax.

Thank you again for holding this hearing today. Please contact my office if you have any questions on this important issue.

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