NOT VOTING—8

Cannon
Clyburn
Gonzalez
Hilliard
Payne
Schaefer, Dan
Thompson
Torres

□ 1635

Mr. JOHN and Mr. DAVIS of Virginia changed their vote from ''aye'' to ''no.''

Mrs. LINDA SMITH of Washington and Messrs. KLUG, JACKSON of Illinois, MORAN of Virginia, STARK, NEY, DICKEY, DEUTSCH, SMITH of New Jersey, HYDE, GEKAS, COYNE, and COOK changed their vote from ''no'' to ''aye.''

So the amendment was rejected.

The result of the vote was announced as above recorded.

PERSONAL EXPLANATION

Mrs. KELLY. Mr. Chairman, on rollcall vote No. 258 I accidentally pressed the wrong button and voted ''nay.'' My intent was to vote ''aye.'' I fully support Mr. NEUMANN's amendment, and believe that the peanut program is well overdue for real reform. I request that the RECORD show that on rollcall vote No. 258, my intent was to vote ''aye.''

AMENDMENT NO. 2 OFFERED BY MR. BASS

The CHAIRMAN. The pending business is the demand for a recorded vote on the amendment offered by the gentleman from New Hampshire (Mr. BASS) on which further proceedings were postponed and on which the noes prevailed by voice vote.

The Clerk will redesignate the amendment.

The Clerk redesignated the amendment.

RECORDED VOTE

The CHAIRMAN. A recorded vote has been demanded.

A recorded vote was ordered.

The CHAIRMAN. This is a 5-minute vote.

The vote was taken by electronic device, and there were—ayes 229, noes 193, not voting 11, as follows:

[Roll No. 259]

AYES—229

Abercrombie
Ackerman
Allen
Andrews
Baldacci
Barcia
Barr
Barrett (WI)
Barton
Bass
Becerra
Bereuter
Berman
Bilirakis
Blagojevich
Bliley
Blumenauer
Boehlert
Bonior
Borski
Brady (PA)
Brown (CA)
Brown (FL)
Brown (OH)
Buyer
Campbell
Capps
Cardin
Carson
Castle
Chabot
Clay
Clayton
Collins
Conyers
Costello
Cox
Coyne
Cummings
Davis (FL)
Davis (IL)
Davis (VA)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Diaz-Balart
Dicks
Dixon
Doggett
Doyle
Duncan
Ehlers
Ehrlich
Engel
English
Eshoo
Evans
Farr
Fattah
Fawell
Filner
Forbes
Ford
Fossella
Fowler
Fox
Frank (MA)
Franks (NJ)
Frelinghuysen
Furse
Gejdenson
Gephardt
Gilchrest
Gilman
Goodling
Gordon
Goss
Greenwood
Gutierrez
Hall (OH)
Hamilton
Harman
Hastings (FL)
Hinchey
Hinojosa
Holden
Hooley
Horn
Houghton
Hoyer
Inglis
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Johnson (CT)
Johnson (WI)
Johnson, E. B.
Johnson, Sam
Jones
Kanjorski
Kelly
Kennedy (MA)
Kennedy (RI)
Kennelly
Kildee
Kilpatrick
Kind (WI)
King (NY)
Kleczka
Klink
Kucinich
Lampson
Lantos
LaTourette
Lee
Levin
Lewis (GA)
Lipinski
LoBiondo
Lofgren
Lowey
Luther
Maloney (CT)
Maloney (NY)
Manton
Manzullo
Markey
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McDermott
McGovern
McHale
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Metcalf
Mica
Millender-McDonald
Miller (CA)
Miller (FL)
Minge
Mink
Moakley
Moran (VA)
Morella
Nadler
Neal
Neumann
Northup
Obey
Olver
Owens
Pallone
Pappas
Pascrell
Paul
Pease
Pelosi
Petri
Porter
Poshard
Price (NC)
Ramstad
Rangel
Reyes
Rivers
Rodriguez
Roemer
Rogan
Rohrabacher
Ros-Lehtinen
Rothman
Roukema
Roybal-Allard
Royce
Rush
Sabo
Sanchez
Sanders
Sanford
Sawyer
Saxton
Scarborough
Schumer
Sensenbrenner
Serrano
Shaw
Shays
Sherman
Skaggs
Smith (NJ)
Smith, Adam
Snyder
Stabenow
Stark
Stokes
Strickland
Sununu
Tauscher
Taylor (MS)
Thurman
Tierney
Towns
Upton
Velazquez
Vento
Visclosky
Wamp
Waters
Watt (NC)
Waxman
Weldon (FL)
Weldon (PA)
Weller
Wexler
Weygand
Whitfield
Wolf
Woolsey
Wynn
Yates

NOES—193

Aderholt
Archer
Armey
Bachus
Baesler
Baker
Ballenger
Barrett (NE)
Bartlett
Bateman
Bentsen
Berry
Bilbray
Bishop
Blunt
Boehner
Bonilla
Bono
Boswell
Boucher
Boyd
Brady (TX)
Bryant
Bunning
Burr
Burton
Callahan
Calvert
Camp
Canady
Chambliss
Chenoweth
Christensen
Clement
Coble
Coburn
Combest
Condit
Cook
Cooksey
Cramer
Crane
Crapo
Cubin
Cunningham
Danner
Deal
DeLay
Dickey
Dingell
Dooley
Doolittle
Dreier
Dunn
Edwards
Emerson
Ensign
Etheridge
Everett
Ewing
Fazio
Foley
Frost
Gallegly
Ganske
Gekas
Gibbons
Gillmor
Goode
Goodlatte
Graham
Granger
Green
Gutknecht
Hall (TX)
Hansen
Hastert
Hastings (WA)
Hayworth
Hefley
Hefner
Herger
Hill
Hilleary
Hobson
Hoekstra
Hostettler
Hulshof
Hunter
Hutchinson
Hyde
Istook
Jenkins
John
Kaptur
Kasich
Kim
Kingston
Klug
Knollenberg
Kolbe
LaFalce
LaHood
Largent
Latham
Lazio
Leach
Lewis (CA)
Lewis (KY)
Linder
Livingston
Lucas
Martinez
McCrery
McDade
McHugh
McInnis
McIntosh
McIntyre
McKeon
Mollohan
Moran (KS)
Murtha
Myrick
Nethercutt
Ney
Norwood
Nussle
Oberstar
Ortiz
Oxley
Packard
Parker
Pastor
Paxon
Peterson (MN)
Peterson (PA)
Pickering
Pickett
Pitts
Pombo
Pomeroy
Portman
Pryce (OH)
Quinn
Radanovich
Rahall
Redmond
Regula
Riggs
Riley
Rogers
Ryun
Salmon
Sandlin
Schaffer, Bob
Scott
Sessions
Shadegg
Shimkus
Shuster
Sisisky
Skeen
Skelton
Smith (MI)
Smith (OR)
Smith (TX)
Smith, Linda
Snowbarger
Solomon
Souder
Spence
Spratt
Stearns
Stenholm
Stump
Stupak
Talent
Tanner
Taylor (NC)
Thomas
Thornberry
Thune
Tiahrt
Traficant
Turner
Walsh
Watts (OK)
White
Wicker
Wise
Young (AK)
Young (FL)

NOT VOTING—11

Cannon
Clyburn
Gonzalez
Hilliard
Payne
Schaefer, Dan
Slaughter
Tauzin
Thompson
Torres
Watkins

□ 1644

Mrs. CUBIN and Messrs. STEARNS, MCINTOSH and ARCHER changed their vote from ''aye'' to ''no.''

Mrs. CLAYTON changed her vote from ''no'' to ''aye.''

So the amendment was agreed to.

The result of the vote was announced as above recorded.

PERSONAL EXPLANATION

Mr. WATKINS. Mr. Chairman, I missed rollcall No. 259. Had I been present, I would have voted ''no.''

Mr. SKEEN. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly, the Committee rose; and the Speaker pro tempore (Mr. EVERETT) having assumed the chair, Mr. LAHOOD, Chairman 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. 4101) making appropriations for Agriculture, Rural Development, Food and Drug Administration, and Related Agencies programs for the fiscal year ending September 30, 1999, and for other purposes, had come to no resolution thereon.

REMOVAL OF NAME OF MEMBER AS COSPONSOR OF H.R. 3605

Mr. DINGELL. Mr. Speaker, I ask unanimous consent that the gentleman from Texas (Mr. BRADY) be removed as a cosponsor of H.R. 3605. His name was mistakenly added to the list of cosponsors. I regret the error, and I express my apologies to him.

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

There was no objection.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE.

The SPEAKER pro tempore. Pursuant to the provisions of clause 5 of rule I, the Chair announces that he will postpone further proceedings today on the motion to suspend the rules on which a recorded vote or the yeas and nays are ordered, or on which the vote is objected to under clause 4 of rule XV.

Such rollcall vote, if postponed, will be taken tomorrow.

INTERNET TAX FREEDOM ACT

Mr. GEKAS. Mr. Speaker, I move to suspend the rules and pass the bill

(H.R. 4105) to establish a national policy against State and local interference with interstate commerce on the Internet, to exercise congressional jurisdiction over interstate commerce by establishing a moratorium on the imposition of exactions that would interfere with the free flow of commerce via the Internet, to establish a national policy against Federal and State regulation of Internet access and online services, and for other purposes.

The Clerk read as follows:

H.R. 4105

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 ''Internet Tax Freedom Act''.

SEC. 2. MORATORIUM ON CERTAIN TAXES.

(a) AMENDMENT.—Title 4 of the United States Code is amended by adding at the end the following:

''CHAPTER 6—MORATORIUM ON CERTAIN TAXES

''Sec.
''151. Moratorium.
''152. Advisory commission on electronic commerce.
''153. Legislative recommendations.
''154. Expedited consideration of legislative recommendations.
''155. Definitions.

''§ 151. Moratorium

''(a) MORATORIUM.—For a period of 3 years following the date of the enactment of this chapter, neither any State, nor any political subdivision thereof, shall impose, assess, collect, or attempt to collect—

''(1) taxes on Internet access;

''(2) bit taxes; or

''(3) multiple or discriminatory taxes on electronic commerce.

''(b) EXCEPTION TO MORATORIUM.—(1) Subject to paragraph (2), the moratorium in subsection (a)(1) shall not apply to the following taxes (as applicable), as in effect on the date of the enactment of this chapter, on Internet access:

''(A) STATE OF CONNECTICUT.—Section 12–407(2)(i)(A) of the General Statutes of Connecticut.

''(B) STATE OF WISCONSIN.—Section 77.52(2)(a)5 of the Wisconsin Statutes (1995–96).

''(C) STATE OF IOWA.—Section 422.43(1) of the Code of Iowa (1997).

''(D) STATE OF NORTH DAKOTA.—North Dakota Century Code 57–39.2 and 57–34.

''(E) STATE OF SOUTH DAKOTA.—South Dakota Codified Law Annotated 10–45–5.

''(F) STATE OF NEW MEXICO.—New Mexico Statutes Annotated 7–9–3.

''(G) STATE OF TENNESSEE.—Tennessee Code Annotated 67–6–221, 67–6–102(23)(iii), and 67–6–702(g).

''(H) STATE OF OHIO.—Chapter 5739 of the Ohio Revised Code.

''(2)(A) Paragraph (1) shall apply with respect to a tax referred to in such paragraph only if the referenced State enacts, during the 1–year period beginning on the date of the enactment of this chapter, a law to expressly affirm that such tax is imposed on Internet access.

''(B) A State that satisfies the requirement specified in subparagraph (A) shall be deemed to have satisfied such requirement immediately after the enactment of this chapter, except that such State may not impute penalties or interest on any tax accrued during the period beginning on the date of the enactment of this Act and ending on the date such State satisfies such requirement.

''(c) APPLICATION OF MORATORIUM.—Subsection (a) shall not apply with respect to the provision of Internet access that is offered for sale as part of a package of services that includes services other than Internet access, unless the service provider separately states that portion of the billing that applies to such services on the user's bill.

''§ 152. Advisory Commission on Electronic Commerce

''(a) ESTABLISHMENT OF COMMISSION.—There is established a temporary commission to be known as the Advisory Commission on Electronic Commerce (in this chapter referred to as the 'Commission'). The Commission shall—

''(1) be composed of 31 members appointed in accordance with subsection (b), including the chairperson who shall be selected by the members of the Commission from among individuals specified in subsection (b); and

''(2) conduct its business in accordance with the provisions of this chapter.

''(b) MEMBERSHIP.—

''(1) IN GENERAL.—The Commissioners shall serve for the life of the Commission. The membership of the Commission shall be as follows:

''(A) Three representatives from the Federal Government comprised of the Attorney General, the Secretary of Commerce, and the Secretary of the Treasury, or their respective representatives.

''(B) Fourteen representatives from State, local, and county governments comprised of 2 representatives each from the National Governors' Association, the National Conference of State Legislatures, the Council of State Governments, the National Association of Counties, the National League of Cities, and the United States Conferences of Mayors; and 1 representative each from the International City/County Management Association and the American Legislative Exchange Council.

''(C) Fourteen representatives of taxpayers and business—

''(i) 7 of whom shall be appointed jointly by the Speaker of the House of Representatives and the majority leader of the Senate, of whom 3 shall be individuals employed by or affiliated with persons engaged in providing Internet access or communications or transactions that use the Internet, 3 shall be individuals employed by or affiliated with persons engaged in electronic commerce (including at least 1 who is employed by or affiliated with a person also engaged in mail order commerce), and 1 shall be an individual employed by or affiliated with a person engaged in software publishing; and

''(ii) 7 of whom shall be appointed jointly by the minority leader of the House of Representatives and the minority leader of the Senate, of whom 3 shall be individuals employed by or affiliated with persons engaged in providing Internet access or communications or transactions that use the Internet, 3 shall be individuals employed by or affiliated with persons engaged in electronic commerce (including at least 1 who is employed by or affiliated with a person also engaged in mail order commerce), and 1 shall be an individual employed by or affiliated with a person engaged in software publishing.

''(2) APPOINTMENTS.—Appointments to the Commission shall be made not later than 45 days after the date of enactment of this chapter. The chairperson shall be selected not later than 60 days after the date of the enactment of this chapter.

''(c) ACCEPTANCE OF GIFTS AND GRANTS.—The Commission may accept, use, and dispose of gifts or grants of services or property, both real and personal, for purposes of aiding or facilitating the work of the Commission. Gifts or grants not used at the expiration of the Commission shall be returned to the donor or grantor.

''(d) OTHER RESOURCES.—The Commission shall have reasonable access to materials, resources, data, and other information from the Department of Justice, the Department of Commerce, and the Department of the Treasury. The Commission shall also have reasonable access to use the facilities of the Department of Justice, the Department of Commerce, and the Department of the Treasury for purposes of conducting meetings.

''(e) SUNSET.—The existence of the Commission shall terminate—

''(1) when the last of the committees of jurisdiction referred to in section 154 concludes consideration of the legislation proposed under section 153; or

''(2) 3 years after the date of the enactment of this chapter;

whichever occurs first.

''(f) RULES OF THE COMMISSION.—

''(1) Sixteen members of the Commission shall constitute a quorum for conducting the business of the Commission.

''(2) Any meetings held by the Commission shall be duly noticed at least 14 days in advance and shall be open to the public.

''(3) The Commission may adopt other rules as needed.

''(g) DUTIES OF THE COMMISSION.—The duties of the Commission, to be carried out in consultation with the National Tax Association Communications and Electronic Commerce Tax Project, and other interested persons, may include—

''(1) conducting a thorough study of State and local taxation of transactions using the Internet and Internet access;

''(2) examining the collection and administration of consumption taxes on remote commerce in other countries and the United States, and the impact of such collection on the global economy;

''(3) examining the advantages and disadvantages of authorizing States and local governments to require remote sellers to collect and remit sales and use taxes;

''(4) proposing a uniform system of definitions of remote and electronic commerce that may be subject to sales and use tax within each State;

''(5) examining model State legislation relating to taxation of transactions using the Internet and Internet access, including uniform terminology, definitions of the transactions, services, and other activities that may be subject to State and local taxation, procedural structures and mechanisms applicable to such taxation, and a mechanism for the resolution of disputes between States regarding matters involving multiple taxation;

''(6) examining a simplified system for administration and collection of sales and use tax for remote commerce, that incorporates all manner of making consumer payments, that would provide for a single statewide sales or use tax rate (which rate may be zero), and would establish a method of distributing to political subdivisions within each State their proportionate share of such taxes, including an examination of collection of sales or use tax by small volume remote sellers only in the State of origin;

''(7) examining ways to simplify the interstate administration of sales and use tax on remote commerce, including a review of the need for a single or uniform tax registration, single or uniform tax returns, simplified remittance requirements, and simplified administrative procedures;

''(8) examining the need for an independent third party collection system that would utilize the Internet to further simplify sales and use tax administration and collection;

''(9) reviewing the efforts of States to collect sales and use taxes owed on purchases

from remote sellers, as well as review the appropriateness of increased activities by States to collect sales and use taxes directly from customers of remote sellers;

''(10) examining the level of contacts sufficient to permit a State to impose a sales or use tax on remote commerce that would subject a remote seller to collection obligations imposed by the State, including—

''(A) the definition of a level of contacts below which a State may not impose collection obligations on a remote seller;

''(B) whether or not such obligations are applied in a nondiscriminatory manner with respect to nonremote transactions; and

''(C) the impact of such obligation on small business remote sellers;

''(11) examining making permanent the temporary moratorium described in section 151 with respect to Internet access as well as such other taxes that the Commission deems appropriate;

''(12) examining ways to simplify State and local taxes imposed on the provision of telecommunications services;

''(13) requiring the Commission to hold a public hearing to provide an opportunity for representatives of the general public, taxpayer groups, consumer groups, State and local government officials, and tax-supported institutions to testify; and

''(14) examining other State and local tax issues that are relevant to the duties of the Commission.

''(h) FEDERAL ADVISORY COMMITTEE ACT.—The Federal Advisory Committee Act shall not apply with respect to the Commission.

''§ 153. Legislative recommendations

''(a) TRANSMISSION OF PROPOSED LEGISLATION.—Not later than 2 years after the date of the enactment of this chapter, the Commission shall transmit to the President and the Congress proposed legislation reflecting any findings concerning the matters described in such section.

''(b) CONTENTS OF PROPOSED LEGISLATION.—The proposed legislation submitted under subsection (a) by the Commission shall have been agreed to by at least 19 members of the Commission and may—

''(1) define with particularity the level of contacts between a State and remote seller that the Commission considers sufficient to permit a State to impose collection obligations on the remote seller and the level of contacts which is not sufficient to impose collection obligations on remote sellers;

''(2) provide that if, and only if, a State has adopted a single sales and use tax rate for remote commerce and established a method of distributing to its political subdivisions their proportionate share of such taxes, and adopted simplified procedures for the administration of its sales and use taxes, including uniform registration, tax returns, remittance requirements, and filing procedures, then such State should be authorized to impose on remote sellers a duty to collect sales or use tax on remote commerce;

''(3) provide that, effective upon the expiration of a 4-year period beginning on the date of the enactment of such legislation, a State that does not have in effect a single sales and use tax rate and simplified administrative procedures shall be deemed to have in effect a sales and use tax rate on remote commerce equal to zero, until such time as such State does adopt a single sales and use tax rate and simplified administrative procedures;

''(4) include uniform definitions of categories of property, goods, services, or information subject to, or exempt from, sales and use taxes;

''(5) make permanent the temporary moratorium described in section 151 with respect to Internet access, as well as such other taxes (including those described in section 151) that the Commission deems appropriate;

''(6) provide a mechanism for the resolution of disputes between States regarding matters involving multiple taxation; and

''(7) include other provisions that the Commission deems necessary.

''(c) RECOMMENDATIONS OF THE PRESIDENT.—Not later than 45 days after the receipt of the Commission's legislative proposals, the President shall review such proposals and submit to the Congress such policy recommendations as the President deems necessary or expedient.

''§ 154. Expedited consideration of legislative recommendations

''(a) Not later than 90 legislative days after the transmission to the Congress by the Commission of the proposed legislation described in section 153, such legislation shall be considered by the respective committees of jurisdiction within the House of Representatives and the Senate, and, if reported, shall be referred to the proper calendar on the floor of each House for final action.

''(b) For purposes of this section, the 90-day period shall be computed by excluding—

''(1) the days on which either House is not in session because of an adjournment of more than 3 days to a day certain or an adjournment of the Congress sine die; and

''(2) any Saturday and Sunday, not excluded under paragraph (1), when either House is not in session.

''§ 155. Definitions

''For the purposes of this chapter:

''(1) BIT TAX.—The term 'bit tax' means any tax on electronic commerce expressly imposed on or measured by the volume of digital information transmitted electronically, or the volume of digital information per unit of time transmitted electronically, but does not include taxes imposed on the provision of telecommunications services.

''(2) COMPUTER SERVER.—The term 'computer server' means a computer that functions as a centralized provider of information and services to multiple recipients.

''(3) DISCRIMINATORY TAX.—The term 'discriminatory tax' means—

''(A) any tax imposed by a State or political subdivision thereof on electronic commerce that—

''(i) is not generally imposed and legally collectible by such State or such political subdivision on transactions involving similar property, goods, services, or information accomplished through other means;

''(ii) is not generally imposed and legally collectible at the same rate by such State or such political subdivision on transactions involving similar property, goods, services, or information accomplished through other means, unless the rate is lower as part of a phase-out of the tax over not more than a 5-year period;

''(iii) imposes an obligation to collect or pay the tax on a different person or entity than in the case of transactions involving similar property, goods, services, or information accomplished through other means; or

''(iv) establishes a classification of Internet access provider for purposes of establishing a higher tax rate to be imposed on such providers than the tax rate generally applied to providers of similar information services delivered through other means; or

''(B) any tax imposed by a State or political subdivision thereof, if—

''(i) the use of a computer server by a remote seller to create or maintain a site on the Internet is considered a factor in determining a remote seller's tax collection obligation; or

''(ii) a provider of Internet access is deemed to be the agent of a remote seller for determining tax collection obligations as a result of—

''(I) the display of a remote seller's information or content on the computer server of a provider of Internet access; or

''(II) the processing of orders through the computer server of a provider of Internet access;

''(4) ELECTRONIC COMMERCE.—The term 'electronic commerce' means any transaction conducted over the Internet or through Internet access, comprising the sale, lease, license, offer, or delivery of property, goods, services, or information, whether or not for consideration, and includes the provision of Internet access.

''(5) INFORMATION SERVICES.—The term 'information services' has the meaning given such term in section 3(20) of the Communications Act of 1934 as amended from time to time.

''(6) INTERNET.—The term 'Internet' means the combination of computer facilities and electromagnetic transmission media, and related equipment and software, comprising the interconnected worldwide network of computer networks that employ the Transmission Control Protocol/Internet Protocol, or any predecessor or successor protocol, to transmit information.

''(7) INTERNET ACCESS.—The term 'Internet access' means a service that enables users to access content, information, electronic mail, or other services offered over the Internet, and may also include access to proprietary content, information, and other services as part of a package of services offered to consumers. Such term does not include telecommunications services.

''(8) MULTIPLE TAX.—The term 'multiple tax' means:

''(A) Any tax that is imposed by one State or political subdivision thereof on the same or essentially the same electronic commerce that is also subject to another tax imposed by another State or political subdivision thereof (whether or not at the same rate or on the same basis), without a credit (for example, a resale exemption certificate) for taxes paid in other jurisdictions. The term 'multiple tax' shall not include a sales or use tax imposed by a State and 1 or more political subdivisions thereof pursuant to a law referred to in section 151(b)(1) on the same electronic commerce or a tax on persons engaged in electronic commerce which also may have been subject to a sales or use tax thereon. For purposes of this subparagraph, the term 'sales or use tax' means a tax that is imposed on or incident to the sale, purchase, storage, consumption, distribution, or other use of tangible personal property or services as may be defined by laws imposing such tax and which is measured by the amount of the sales price or other charge for such property or service); or

''(B) Any tax on Internet access if the State or political subdivision thereof classifies such Internet access as telecommunications or communications services under State law and such State or political subdivision thereof has also imposed a tax on the purchase or use of the underlying telecommunications services that are used to provide such Internet access without allowing a credit for other taxes paid, a sale for resale exemption, or other mechanism for eliminating duplicate taxation.

''(9) REMOTE COMMERCE.—The term 'remote commerce' means the sale, lease, license, offer, or delivery of property, goods, services, or information by a seller in 1 State to a purchaser in another State.

''(10) REMOTE SELLER.—The term 'remote seller' means a person who sells, leases, licenses, offers, or delivers property, goods, services, or information from one State to a purchaser in another State.

''(11) STATE.—The term 'State' means any of the several States, the District of Columbia, or any territory or possession of the United States.

''(12) TAX.—The term 'tax' means—

''(A) any levy, fee, or charge imposed under governmental authority by any governmental entity; or

''(B) the imposition of or obligation to collect and to remit to a governmental entity any such levy, fee, or charge imposed by a governmental entity.

Such term does not include any franchise fees or similar fees imposed by a State or local franchising authority, pursuant to section 622 or 653 of the Communications Act of 1934.

''(13) TELECOMMUNICATIONS SERVICES.—The term 'telecommunications services' has the meaning given such term in section 3(46) of the Communications Act of 1934, as amended from time to time.''.

(b) CONFORMING AMENDMENT.—Title 4 of the United States Code is amended in the table of chapters by adding at the end the following:

''6. Moratorium on Certain Taxes ..... 151''.

SEC. 3. PROVISION OF INTERNET ACCESS AND ONLINE SERVICES.

Title II of the Communications Act of 1934 is amended by inserting after section 230 (47 U.S.C. 230) the following new section:

''SEC. 231. PROHIBITION ON REGULATION OF INTERNET ACCESS AND ONLINE SERVICES.

''(a) PROHIBITION.—The Commission shall have no authority or jurisdiction under this title or section 4(i), nor shall any State commission have any authority or jurisdiction, to regulate the prices or charges paid by subscribers for Internet access or online services.

''(b) PRESERVATION OF AUTHORITY.—Nothing in this subsection shall limit or otherwise affect—

''(1) the Commission's or State commissions' implementation of the Telecommunications Act of 1996 (Public Law 104–104) or the amendments made by such Act; and

''(2) the Commission's or State commissions' authority to regulate telecommunications carriers that offer Internet access or online services in conjunction with the provision of any telephone toll, telephone exchange, or exchange access services as such terms are defined in title I.

''(c) DEFINITIONS.—As used in this section:

''(1) INTERNET.—The term 'Internet' means the combination of computer facilities and electromagnetic transmission media, and related equipment and software, comprising the interconnected world-wide network of computer networks that employ the Transmission Control Protocol/Internet Protocol, or any predecessor or successor protocol, to transmit information.

''(2) INTERNET ACCESS.—The term 'Internet access' means a service that enables users to access content, information, and other services offered over the Internet, but does not mean a telecommunications service.

''(3) ONLINE SERVICE.—The term 'online service' means the offering or provision of Internet access with the provision of other information services.''.

SEC. 4. FEDERAL REGULATORY FEES.

(a) NO REGULATORY FEES.—Section 9(h) of the Communications Act of 1934 (47 U.S.C. 159(h)) is amended by inserting ''; or (3) providers of Internet access or online service'' after ''(47 C.F.R. Part 97)'' .

(b) CONFORMING AMENDMENT.—Section 9(h) of the Communications Act of 1934 (47 U.S.C. 159(h)) is amended by striking ''or'' that appears before ''(2)''.

(c) DETERMINATION.—Not later than 1 year after the date of the enactment of this Act, the National Telecommunications and Information Administration shall determine whether any direct or indirect Federal regulatory fees, other than the fees identified in subsection (a), are imposed on providers of Internet access or online services, and if so, make recommendations to the Congress regarding whether such fees should be modified or eliminated.

SEC. 5. REPORT ON FOREIGN COMMERCE.

(a) CONTENTS OF REPORT.—In order to promote electronic commerce, the Secretary of Commerce, in consultation with appropriate committees of the Congress, shall undertake an examination of—

(1) barriers imposed in foreign markets on United States providers of property, goods, services, or information engaged in electronic commerce and on United States providers of telecommunications services;

(2) how the imposition of such barriers will affect United States consumers, the competitiveness of United States citizens providing property, goods, service, or information in foreign markets, and the growth and maturing of the Internet; and

(3) what measures the Government should pursue to foster, promote, and develop electronic commerce in the United States and in foreign markets.

(b) PUBLIC COMMENT.—For purposes of this section, the Secretary of Commerce shall give all interested persons an opportunity to comment on the matters identified in subsection (a) through written or oral presentations of data, views, or arguments.

(c) TRANSMITTAL TO THE PRESIDENT.—Not later than 18 months after the date of the enactment of this Act, the Secretary of Commerce shall transmit to the President a report containing the results of the examination undertaken in accordance with subsection (a).

(d) RECOMMENDATIONS OF THE PRESIDENT.—Not later than 2 years and 45 days after the date of the enactment of this Act, the President shall review the report described in subsection (c) and submit to the appropriate committees of Congress such policy recommendations as the President deems necessary or expedient.

SEC. 6. DECLARATION THAT THE INTERNET SHOULD 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 to remove barriers to global electronic commerce, through the World Trade Organization, the Organization for Economic Cooperation and Development, the International Telecommunications Union, the Asia Pacific Economic Cooperation Council, the Free Trade Area of the Americas, and other appropriate international fora. Such agreements should require, inter alia, that the provision of Internet access or online services be free from undue and discriminatory regulation by foreign governments and that electronic commercial transactions between United States and foreign providers of property, goods, services, and information be free from undue and discriminatory regulation, international tariffs, and discriminatory taxation.

SEC. 7. NO EXPANSION OF TAX AUTHORITY.

Nothing in this Act shall be construed to expand the duty of any person to collect or pay taxes beyond that which existed immediately before the date of the enactment of this Act.

SEC. 8. PRESERVATION OF AUTHORITY.

Nothing in this Act shall limit or otherwise affect the implementation of the Telecommunications Act of 1996 (Public Law 104–104) or the amendments made by such Act.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Pennsylvania (Mr. GEKAS) and the gentleman from Michigan (Mr. CONYERS) each will control 20 minutes.

The Chair recognizes the gentleman from Pennsylvania (Mr. GEKAS).

GENERAL LEAVE

Mr. GEKAS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on the bill under consideration.

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

There was no objection.

Mr. GEKAS. Mr. Speaker, I yield 10 minutes to the gentleman from Virginia (Mr. BLILEY) and ask unanimous consent that he may be permitted to yield blocks of time therefrom.

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

There was no objection.

Mr. GEKAS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I urge support for this piece of legislation. Everyone in the world knows that the Internet is a magic system that impacts upon every life on the planet in one way or another. The simple transfer of information in so many different ways and in every field of human endeavor gives great promise for the future. Indeed, the real problem is how long government and its influence can be properly visited upon this Internet system, and therein lies the problem. What if anything should be done to allow taxes or taxation or a series of taxes on the access to the Internet? That is a central problem.

We have grappled with that for quite some time, and the central issue has become whether or not we should take our time and really study the issue before we look into that dark realm of taxation as it pertains to the Internet. So the parties have agreed, to a great extent, for the extension of a moratorium on any further action before we really search out the facts in this.

Mr. Speaker, I am certain that the gentleman from Virginia (Mr. BLILEY) will be telling us more about how the moratorium is to be framed and what benefit that will be to the Congress. In the meantime, I want to thank everyone who had something to do with this legislation, including those who testified at the hearing that we held on this matter, representing the several States, the private sector, the executive branch and Members of Congress like the gentleman from California (Mr. COX) who have had a searching inquiry into this piece of legislation.

Mr. Speaker, I include the following letter for the RECORD:

HOUSE OF REPRESENTATIVES,
COMMITTEE ON RULES,
Washington, DC, June 23, 1998.

HON. NEWT GINGRICH,
House of Representatives, Washington, DC.

DEAR MR. SPEAKER: I ask that the Committee on Rules be discharged from further consideration of H.R. 4105, the Internet Tax

Freedom Act. As you know, the bill was sequentially referred to the Rules Committee on June 22, 1998.

Specifically, the provisions of Section 154, Expedited Consideration of Legislative Recommendations, fall solely within the jurisdiction of the Committee on Rules. Although the Rules Committee has not exercised its original jurisdiction prerogatives on this legislation, the Committee has discussed these provisions with the other committees of jurisdiction, namely the Commerce and Judiciary Committees. Also, it is the understanding of the Rules Committee that the Leadership intends to schedule this bill for floor consideration in the near future. In recognition of these facts, I request that the Rules Committee be discharged from further consideration of this bill.

Nevertheles, I reserve the jurisdiction of the Committee on Rules over all bills relating to the rules, joint rules and the order of business of the House, including any bills containing expedited procedures. However, it would also be my intention to have the Rules Committee represented on any conference committee on this bill.

Thank you for consideration.

Sincerely,

GERALD B.H. SOLOMON,
Chairman.

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

Mr. CONYERS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I strongly support the Internet Tax Freedom Act. Electronic commerce over the Internet is one of today's most dynamic and important business segments. By approving this bill, the Congress will be taking yet another strong action to protect and foster the so-called information superhighway. The Committee on the Judiciary has already approved on a bipartisan basis bills protecting copyright in cyberspace and eliminating burdensome encryption controls. This bill will help ensure that State taxes do not impede the vibrancy or growth of the Internet.

The Internet Tax Freedom Act ensures that States do not enact discriminatory or double taxes which discourage the use of the Internet. At the same time, the substitute protects the States' legitimate rights to tax Internet sales transactions in the same manner they tax the sale of ordinary goods.

We also create a moratorium on new taxes on access to the Internet. Currently a complex patchwork of State and local laws creates an impossible situation for online service providers in determining who to tax and to whom to remit. There is also a grandfather clause that will allow current taxes to stay in place if States reaffirm within the 1-year period.

We also set up a balanced commission of representatives from the Federal Government, the States and industry to help develop a coherent blueprint for interstate taxation of Internet transactions and mail order goods in the future. The bill grandfathers those States which currently tax Internet access.

The legislation we are considering today is almost identical to the version approved by the Committee on the Judiciary on a bipartisan basis and reflects substantial negotiation between the interested parties. I thank all of the participants in this important measure.

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

Mr. BLILEY. Mr. Speaker, I yield 2 minutes to the gentleman from Washington (Mr. WHITE), a member of the committee who has worked very hard on this legislation.

Mr. WHITE. Mr. Speaker, I thank the gentleman from Virginia for yielding me this time and especially for taking me out of order. I appreciate that very much.

Mr. Speaker, we have a short window of opportunity on almost all the issues associated with the Internet to do the right thing. The Internet is so new. It is not yet subject to all the special interests who want to twist our policy one way or another. And so we have a short period of time to establish some good, clear, fundamental principles that will help us guide the development of the Internet for a long period of time. We have got a short period because it is not too long, even in the case of the Internet, until the special interests take over.

I would have to say, Mr. Speaker, that in this particular case, we almost missed that window, because if we let this process go on too much longer, our bill would be watered down more, there will be more exceptions, and the next thing we know, the 30,000 local taxing jurisdictions around this country will be able to do whatever they want to with the Internet. We want them to get tax revenue from the Internet but we want them to do it in the right way. That is why it is high time for us to pass this legislation.

Mr. Speaker, this is a good bill. We should pass it. But it is not a perfect bill. I certainly have some reservations about parts of it. We started off with a 6 or 7-year moratorium. We have shortened that substantially. We now have a commission that in addition to looking at just Internet specific issues is going to be looking at all the remote commerce issues. I frankly think that is a little bit of a troubling concept. But by and large it is high time for us to get this done. If we do not take advantage of this window, the window will close and we will never be able to do anything. I urge my colleagues to support this bill.

Mr. CONYERS. Mr. Speaker, I yield 2 minutes to the gentleman from New York (Mr. NADLER) the ranking member on the Judiciary subcommittee for our efforts here today.

(Mr. NADLER asked and was given permission to revise and extend his remarks.)

Mr. NADLER. Mr. Speaker, I rise in support of the Internet Tax Freedom Act. This legislation is the product of long and careful negotiations between the States and the emerging Internet businesses. It strikes a careful balance between the right of States and local jurisdictions to tax commerce within their borders and the need to protect new and developing businesses from discriminatory and multiple overlapping taxes.

□ 1700

It contains a moratorium of limited duration and provides for a balanced commission to study the very complicated questions involved in taxing these new types of transactions. That commission will report back to Congress, and we will then have the benefit of their work to consider how best to proceed in this new arena.

Congress should tread very carefully when it intrudes into areas involving State power to tax, but it is also the responsibility of the Federal Government to ensure that interstate commerce is not overwhelmed by local taxes which cumulatively could have a disastrous national impact. This legislation strikes an appropriate balance between these important concerns and sets the stage for more thoughtful and careful look at this question. Most importantly, it ensures that the Internet will be free to develop and to continue as a vital new force in the economy, and I congratulate those on the committee and on the Committee on Commerce who have worked on it, and I urge its adoption.

Mr. GEKAS. Mr. Speaker, I yield 2 minutes to the gentleman from Ohio (Mr. CHABOT) one of the members of the committee who has been one of the leaders in creating the momentum that brought us to this floor.

(Mr. CHABOT asked and was given permission to revise and extend his remarks.)

Mr. CHABOT. Mr. Speaker, I rise in strong support of this bipartisan legislation, and I would like to thank the gentleman from California (Mr. Cox) and the gentleman from Illinois (Mr. HYDE) and the gentleman from Pennsylvania (Mr. GEKAS) and many others who have worked diligently on this particular legislation. I believe that it is important that we move this legislation forward quickly and enact some type of Internet tax moratorium as soon as possible. Many of us are concerned that many of the 30,000 State and local governments who are beginning to explore the possibility of imposing significant taxes and regulations on the Internet might do so, thus severely hampering the ability of this exciting medium to expand in the future.

Mr. Speaker, the Internet is a rapidly growing high-tech industry that many feel represents the future of commerce. In fact, with sales through the Internet expected to reach as high as $600 billion by the year 2002, the Internet provides American companies, consumers and taxpayers opportunities that were inconceivable just a few years ago.

I would again like to emphasize that this legislation represents a compromise. There are still some issues of

contention that remain. For example, I am not completely comfortable with the grandfather clause. I am concerned because if this provision remains, it will reward a handful of State tax administrators who rushed to tax the Internet access, placing the cost of Internet access out of reach of many American families.

We took a step in the right direction in the Committee on the Judiciary by stripping out the grandfather exception for cities, but more work needs to be done. I hope that our colleagues in the other body act to further restrict the ability of States to re-enact these taxes. Mr. Speaker, hard-working Ohioans currently pay roughly $30 million in taxes annually for the privilege of signing on to the Internet, and I would like to see those taxes cut, not codified.

Again, I urge my colleagues to support this bipartisan, pro-Internet, pro-taxpayer legislation, and I again thank the gentleman from California (Mr. COX), the gentleman from Pennsylvania (Mr. GEKAS) and the gentleman from Illinois (Mr. HYDE) and many others.

Mr. CONYERS. Mr. Speaker, I ask unanimous consent that the ranking member, the gentleman from New York (Mr. NADLER) be permitted to manage the bill from this point on and control the time.

The SPEAKER pro tempore (Mr. EVERETT). Is there objection to the request of the gentleman from Michigan?

There was no objection.

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

Mr. BLILEY. Mr. Speaker, I yield myself 3 minutes.

Mr. Speaker, I rise in support of H.R. 4105, the Internet Tax Freedom Act. The Committee on Commerce is engaged in an extensive review of all electronic commerce issues. We have been gathering information from Federal and State agencies, holding hearings and moving legislative proposals that stimulate the development of an electronic market place for the next century. Consideration of H.R. 4105 today is consistent with our overall electronic commerce agenda, and the legislation will set an invaluable precedent on how Internet-related activities should be addressed in the future.

At a recent hearing we were told that electronic commerce is predicted to grow at an incredible pace in the near future, doubling every year. Estimates of the total value of economic activity conducted electronically for the year 2002 ranged from $200 billion to more than $500 billion. Compare these figures with a mere $2.6 billion of economic activity in 1996. Clearly this level of economic activity will have significant impact on job growth in the United States.

As the Committee on Commerce explores ways to promote electronic commerce, we must also identify potential burdens. H.R. 4105 addresses two of them, unnecessary regulations and excessive taxation.

As a result of the Federal Government largely staying out of the way, we are seeing the development and growth of new markets for Internet access and on-line services. These markets are fully competitive today, and consumers have more choice than ever in selecting access providers and in selecting providers of general or proprietary information. The last thing we need right now is for Federal and State governments to interfere with the development of these markets. H.R. 4105 makes a preemptive strike against such government interference with the Internet.

The other potentially burdensome situation for electronic commerce is State and local taxation. Many States have found ways to tax Internet-related activities, and they do so in an inconsistent manner. For example, some States tax Internet access as computer and data processing services. Other States tax it as either a telecommunications service or information service.

These classification differences are only part of the problem. Given the way data is transmitted over the Internet, some States have challenged fundamental constitutional doctrines in order to assert substantial nexus over out-of-state vendors. Because of these problems, many executives have argued that the taxation of Internet-related activities is the single most significant impediment to the development of electronic commerce in the United States.

H.R. 4105 presents a balanced approach between regulation and taxation of Internet access, on-line services and electronic commerce. It prohibits the FCC and States from regulating the prices of Internet access and on-line services. It also calls for a time out on taxing the Internet and asks for a group of experts to be assembled to study long-term solutions on Internet taxation issues.

I would like to thank the chairman, the gentleman from Illinois (Mr. HYDE), for his leadership on this matter and for sustaining the bill's momentum. I would also like to thank the gentleman from Louisiana (Mr. TAUZIN) and the gentleman from California (Mr. COX) and the gentleman from Washington (Mr. WHITE) for their dedication, and I look forward to working with the other Members as we continue to move the bill through the legislative process.

Mr. NADLER. Mr. Speaker, I yield 3 minutes to the gentleman from Massachusetts (Mr. MARKEY).

Mr. MARKEY. Mr. Speaker, I thank the gentleman for yielding this time to me.

Mr. Speaker, I rise in support of this legislation. I want to commend the gentleman from Virginia (Mr. BLILEY), the gentleman from Michigan (Mr. DINGELL), and the gentleman from Louisiana (Mr. TAUZIN) of the Subcommittee on Telecommunications for their work on this issue, and to single out the gentleman from California (Mr. COX) for his leadership on this issue, along with the gentleman from Michigan (Mr. CONYERS) and others, including the gentleman from New York (Mr. NADLER), because we really have put something together here that I think really moves along the discussion on this issue. And I would like to single out Senator WYDEN over on the Senate side, as well, who introduced legislation to this effect with the gentleman from California (Mr. COX) last year.

During the Committee on Commerce consideration of this legislation I expressed support for a moratorium on new Internet-specific taxes, but at the time I believed that the bill needed to be clearer in its scope and its definitions to ensure that no unintended harm was done in the process to any Federal or State regulatory authority to fully implement the provisions of the Telecommunications Act of 1996. All the regulatory fees, tax provisions and, in particular, the universal service provisions of the Telecommunications Act that were painstakingly deliberated upon and subsequently enacted are fully protected by this savings clause contained in the pending bill before us today.

In addition we have attempted to ensure that this tax bill does not do unintended harm to telecommunications policy. I think that this goal is also achieved in the current version of the bill.

This legislation before us this afternoon has been extensively changed since it was introduced and since our initial markup in the Subcommittee on Telecommunications, Trade, and Consumer Protection. The new legislation correctly limits the tax moratorium to Internet access, and the language in the bill more carefully defines such terms so that it is clear for the purposes of this legislation that it does not encompass other activities or services such as telecommunications or telecommunication services.

Moreover, the legislation merely limits FCC and State authority to regulate prices charged directly to subscribers for Internet access or on-line services, but preserves FCC and State authority over any telecommunications carrier which bundles Internet access or on-line services in combination with telephone service.

The legislation offered this evening also fully protects universal service support mechanisms by adding the savings clause that nothing in this legislation shall limit or otherwise affect the implementation of the Telecommunications Act. The legislation makes clear that Section 254 of the Telecommunications Act, which was added by the act of 1996, is fully protected. The Telecommunications Act for the first time specifically codified the principle of universal service and delineated Federal and State responsibilities, rights and obligations for universal service support.

On the tax front the legislation now has a 3-year moratorium on taxes and Internet access.

I think we now begin the dialogue with States and municipalities and governors as this process moves forward. I want to congratulate everyone here as we move this hurry-up offense right before the Fourth of July break, but I think we have tremendous potential if the Senate acts.

GENERAL LEAVE

Mr. BLILEY. Mr. Speaker, I ask unanimous consent that all Members have 5 legislative days to insert statements in the RECORD.

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

There was no objection.

Mr. BLILEY. Mr. Speaker, I yield 2 minutes to the gentleman from Louisiana (Mr. TAUZIN) the chairman of the subcommittee.

Mr. TAUZIN. I thank the gentleman for yielding this time to me.

Mr. Speaker, let me first of all thank the gentleman from Virginia (Mr. Bliley) and the chairman, the gentleman from Illinois (Mr. HYDE) for coming together on this very important piece of legislation, bringing our two committees into focus here, and to thank the gentleman from Michigan (Mr. DINGELL) and the gentleman from Massachusetts (Mr. MARKEY) for working so closely at subcommittee and full committee level with us on the Committee on Commerce to make this happen.

The first bill, as my colleagues know, was heard by the committee and reported last October, and I think in that regard historically we need to credit the gentleman from California (Mr. COX) and the gentleman from Washington (Mr. WHITE) for the 2-year effort they put into bringing this issue to the House floor today, in trying to resolve what could be a sticky problem of how to make the Internet work with E-commerce in a world of 30,000 different taxing jurisdictions.

As my colleagues know, when the computer married up with the telephone, a whole new world opened up to Americans and to the world community. All of a sudden, when computers married up to telephones, cellular telephone service and PCS service became available, and all of a sudden the whole world became a much smaller place.

Now we are beginning to see the marriage of computers and this incredible telephone industry and the television itself in a world of computers and Internet services that will increasingly bring America and the world closer in the world of commerce. We have gone from the industrial age indeed to the communications or information age, and now we are beginning to see the fruits of it in E-commerce, as electronic commerce becomes the means by which more and more Americans and citizens of this world will do business.

It is critical at this juncture just for us to call a time out to make sure that policy works, that this wonderful world of computers which has delivered so much value to Americans, which has been generally an unregulated world, which has increased in value and dimension and service not only to our citizens but to citizens of the world as it marries up to this highly-regulated world of telephones and television, that we do not make a lot of mistakes that would kill the goose that laid the golden egg.

This moratorium is critical to the progress of electronic customers. I urge the passage of this bill.

Mr. NADLER. Mr. Speaker, I yield 2 minutes to the gentlewoman from California (Ms. LOFGREN).

Ms. LOFGREN. Mr. Speaker, I rise in support of the Internet Tax Freedom Act and urge my colleagues to support the measure.

As my colleagues know, a friend of mine in Silicon Valley that I have the privilege of representing here along with the gentlewoman from California (Ms. ESHOO), my colleague, analogized the Internet to the ''big bang'' and said that after the ''big bang'' the planets formed and we are about at that time now. The planets are just forming up after the explosion of the Internet. We do know that the Internet will change everything. It will change the way we do business, it will change the way we learn, it will change the way grandparents communicate with grandchildren.

□ 1715

It will change everything in our ordinary life, and it is absolutely essential that we do nothing to impair or hinder the growth of this wonderful technology.

I am actually very proud that we have been able to work together on a bipartisan basis in the Committee on the Judiciary as well as in the Committee on Commerce to achieve this moratorium on taxes. Like my colleague, the gentleman from Ohio (Mr. CHABOT), I do not think this measure is absolutely perfect, but it is not bad. It is certainly worthy of our support. I would hope that we can pass it promptly, and that the Senate will join with us and send it on to the President, who I know will support it as well.

I would say also just this: Having been in local government for 14 years before my service here in Congress, I do understand the bind that local governments find themselves in. So often they are scrambling for revenue to meet the tremendous service needs that they face. I am sympathetic with those needs, but I understand that really it is in no one's interest that we do anything to impair the growth of the Internet, not in the interests of cities, counties, states, the United States or any of us.

So I commend this bill. I thank my colleagues for bringing it forward.

Mr. NADLER. Mr. Speaker, I yield 2 minutes to the gentlewoman from California (Ms. ESHOO).

Ms. ESHOO. Mr. Speaker, I rise in strong support of the Internet Tax Freedom Act, and I especially want to compliment my colleague, the gentleman from California (Mr. COX), for his tremendous efforts to get this bill to the House floor. It has not really been an easy process, even though we are all singing the praises of the bill tonight. I salute our committee chairman, the gentleman from Virginia (Mr. BLILEY), the subcommittee chairman, the gentleman from Louisiana (Mr. TAUZIN), and the ranking members.

Mr. Speaker, the legislation tackles two very complicated subjects, the Internet and taxes. To explain legislation about either one in the brief period of time is difficult enough; put them together, and the complexity increases exponentially. That is why this bill, which calls for a time-out on Internet taxation, is so important.

It is clear that precedents are already being set as taxing authorities around the country search for creative ways to define and tax the Internet. States and localities have targeted the Internet as a new resource for funds, given the tremendous growth in electronic commerce over the past few years, but it is time for the activity really to come to a stop, at least until we all have a better understanding of the ramifications that taxation will have on the future of the global information infrastructure.

Representing Silicone Valley, I can tell you that it is rare that high technology companies, particularly Internet companies, come and ask the Federal Government to become more involved in their business. When they do, it is a good indication that a problem exists that could damage the future viability of their industry, and this is an industry that represents the fastest growing segment of our economy.

So this legislation that we are considering today is a sound approach to dealing with the development of inconsistent and, in many cases, unworkable taxation of the Internet. It gives us a chance to study the issue, moving forward only when we fully understand what effects taxation will have on the development of what is becoming a global resource that must be protected.

Mr. Speaker, I urge all of my colleagues to support it.

Mr. BLILEY. Mr. Speaker, I yield the balance of my time, 3½ minutes, to the gentleman from California (Mr. COX), who has put 2 years of hard work on this to bring us to this point.

Mr. GEKAS. Mr. Speaker, I yield such time as he may consume to the gentleman from California (Mr. COX).

Mr. COX of California. Mr. Speaker, I thank the gentlemen for yielding me time.

Mr. Speaker, I asked for about 45 minutes so I could read the names of all the people that it is important to thank. Because I have a limited period of time, I want to thank certainly those that are here that were the leaders in the effort to bring it to the floor, in particular my chairman, the gentleman from Virginia (Mr. BLILEY), my ranking member, the gentleman from

Michigan (Mr. DINGELL), as well as the chairman of the Committee on the Judiciary, the gentleman from Illinois (Mr. HYDE), who has shown so much leadership on this, and the gentleman from Michigan (Mr. CONYERS), for their diligent efforts.

We have the subcommittee chairmen, the gentleman from Pennsylvania (Mr. GEKAS) and the gentleman from Louisiana (Mr. TAUZIN), to thank for this as well, and governors, both early on, and, eventually, almost all of them later. But early on, Governor Wilson of California, my Governor, Pete Wilson, was a leader, as were many of our statewide elected officials in this effort to prevent the Internet from being taxed; the Governor of New York, Governor Pataki; Governor Cellucci in Massachusetts, and Governor Weld before him; Governor Gilmore in Virginia, Governor Allen before him; Governor Bush in Texas; and my partner in all of these negotiations, the Governor of Utah, who also negotiated on behalf of the National Governors Association, Mike Leavitt.

This is now a consensus bill. It is a balanced approach between our national interest in preventing parochial taxation of the Internet and Federal regulation of the Internet, and the concern of State and local governments who want to make sure that they retain their prerogatives.

As we enter the Information Age, the digital age, we are establishing in law a very important principle; that information should be made available as freely and widely as possible throughout the world; it should not be taxed and it should not be regulated. This bill addresses itself to both problems.

It says not only that we will not have new special discriminatory and multiple taxes on the Internet, but also that the FCC, now the Federal Communications Commission, shall not become the ''Federal Computer Commission.'' We will not give the FCC, and we expressly state this in the legislation, the power to regulate the Internet.

Some long time ago, Michael Faraday, the very, very famous inventor, a century-and-a-half ago, had become sufficiently well-known in his own day that he won an audience with the king, King William IV. He had invented the dynamo, the first electric motor, by rotating a current-bearing wire around a magnet, and the king wanted to see him. The king was fascinated with his invention, the dynamo, but he addressed himself to Michael Faraday and said, ''But, after all, of what use is it?'' Faraday replied, ''Sir, I do not know, but of this I am certain: One day you will tax it.''

We are a long way further down the road in the revolution wrought by that wonderful revolution of electricity that Faraday helped to perfect, but, without question, the 30,000 State and local tax jurisdictions that could tax the Internet are just as anxious to, so as was the tax collector back in the days of King William IV. We are preventing that today. We might just say tonight, ''Read our e-mail; no new taxes.''

Mr. Speaker, may I just say that there is one other person that deserves thanks, who is an alumnus of this body. He is now a Senator, RON WYDEN. This is my legislation in the House, but he and I teamed up together to do this, and it is as much his idea as it is my own. I am anxious that the other body move this bill after we give it strong bipartisan if not overwhelming support here tonight and tomorrow, and I think he should be recognized for his efforts as well; an alumnus not only of the House, but of our Committee on Commerce.

Mr. NADLER. Mr. Speaker, to advance the bipartisan support for this bill, in addition to the support given by King William, I yield 2 minutes to the gentleman from Massachusetts (Mr. DELAHUNT).

Mr. DELAHUNT. Mr. Speaker, I should note that my first name is also WILLIAM, and I do support this bill that puts a moratorium on taxes.

Mr. Speaker, I also want to acknowledge the leadership of the gentleman from California (Mr. COX), who has clearly played a key role in bringing forth this particular proposal. As others have indicated, we are certainly witnessing today the emergence of a vast new global electronic marketplace, which is profoundly transforming the way in which both goods and information are exchanged. Government can either foster this development through wise policies, or impede it through foolish policies. I believe, as others, that it would be very foolish for us to allow the Internet to become encumbered with a patchwork of duplicative and overlapping taxes.

The moratorium provided under the bill before us would ensure instead that policymakers have the opportunity to develop a coherent and uniform policy for the taxation of electronic commerce in the years to come.

As I noted earlier in a hearing of the subcommittee chaired by the gentleman from Pennsylvania (Mr. GEKAS) this past July, the matter is of immense importance to Massachusetts, a world leader in advanced technology, that is second only to Silicone Valley as a home to software producers and other high-tech companies. Last year, some 2,200 Massachusetts-based software companies had 130,000 employees and combined revenues of $7.8 billion. This is a large slice of our State economy and a boon to our Nation's balance of trade.

Massachusetts was among the first States to adopt legislation exempting Internet access services from State sales tax. However, until more States follow Massachusetts' lead, Internet users in the Commonwealth remain vulnerable to discriminatory taxes from jurisdictions outside our borders. That is why this particular proposal is so desperately needed, and I urge our colleagues to give it their support.

Mr. NADLER. Mr. Speaker, I yield 2½ minutes to the distinguished gentleman from Texas (Mr. DOGGETT).

Mr. DOGGETT. Mr. Speaker, the power to tax is indeed the power to destroy. The Internet not only offers us an amazing way of communication, but it offers a tremendous potential, a revolutionary potential for electronic commerce.

With the Internet still in its rather fragile youth, hasty or excessive use of taxation could easily destroy this wonderful new wellspring of free speech and economic enterprise.

Suppose a Texan finds on the Internet a new software package that could double her business potential and decides to buy it over the Internet. She is sitting at a computer in Texas. The company which produces the product is headquartered in Washington State, and she uses an Internet server that is located in Illinois. Washington, Illinois and Texas and all of their subdivisions that are relevant have a claim to somehow tax this transaction. In a way, the transaction has taken place in each of these three States. Will my neighbor in Austin get a tax bill from all three, plus their subdivisions, or will the States somehow have to fight it out over who gets to tax the most-and-the-first test?

Well, I believe that the current situation is really a mess. We have the potential of over 30,000 jurisdictions that could be doing the taxing. If we do not enact this moratorium, it will mean up to 30,000 hands in the cookie jar, and when all these governments have taken out all the taxes they want, the consumers and the businesses who want to rely on the Internet will have only a few crumbs.

Last year, our bipartisan Information Technology Working Group that I founded with the gentleman from Virginia (Mr. DAVIS) focused attention on this problem and had experts from around the country come in and discuss it.

□ 1730

That is both in my work there and as a representative of central Texas, which is at the forefront of the high-tech economy. I have seen firsthand the tremendous economic potential of the Internet. I believe that the Internet is at its best when government interference is at its least.

The Internet is at its best only when government is at its least. We call for a time out from taxes and a time on for perfecting electronic commerce. I urge my colleagues to support this legislation, which will allow us a 3-year period in which to work together and devise a bipartisan and equitable solution to the future of electronic commerce in this country.

Mr. NADLER. Mr. Speaker, I yield 2½ minutes to the gentlewoman from Texas (Ms. JACKSON-LEE).

Ms. JACKSON-LEE of Texas. Mr. Speaker, I thank the gentleman for yielding me the time.

Mr. Speaker, let me rise in support of this legislation, for if we pass this very important Internet Tax Freedom Act, the Congress will be taking yet another strong action to protect the important highway that we have all been trying to get on, and that is the information superhighway.

I am delighted for the leadership of the gentleman from California (Mr. COX) and others who have worked so very diligently on this legislation. The Committee on the Judiciary has already approved on a bipartisan basis bills protecting copyright in cyperspace and eliminating burdensome encryption controls. This bill will help ensure that State taxes do not impede the vibrancy of growth of the Internet.

However, Mr. Speaker, having come from local government, I am fully aware of the needs for local income. But it is important that States do not enact discriminatory or double taxes which discourage the use of the Internet. It is also important that we give some time, some breathing room. This bill creates a moratorium on new taxes on access to the Internet.

Currently, a complex patchwork of State and local laws create an impossible situation for online service providers in determining who to tax and whom to not tax. Let me also say, Mr. Speaker, that the grandfather clause will allow current taxes to stay in place, and if States reaffirm within one year. This is an important aspect of this legislation.

I have come from local government, being a member of the Houston City Council, and I realize how important income-enhancing activities are to our local governments. I think it is very important that this bill has in it a balanced commission which represents the Federal government, the States, and the industry, to help develop a coherent blueprint for interstate taxation of Internet transactions, mail order goods, in the future.

I am interested particularly, however, in our local city governments and our local county governments. I would like to enter into a colloquy with the gentleman from California (Mr. COX) on this very issue.

I would say to the gentleman from California, I would like to raise the question, as the gentleman well knows, in addition to States within their county and city boundaries, I have worked as a member of the National League of Cities and also with the National Conference of Mayors.

I would like to know that in the setting up of the balanced commission, we would have the opportunity to have the involvement of those organizations.

Mr. COX of California. Mr. Speaker, will the gentlewoman yield?

Ms. JACKSON-LEE of Texas. I yield to the gentleman from California.

Mr. COX of California. Mr. Speaker, I thank the gentlewoman for yielding to me.

The gentlewoman is exactly correct, that is the way the commission is set up. There will be 14 representatives from State, local, and county governments, including representatives from the National League of Cities, also the National Governors' Association, the National Conference of State Legislatures, the Council of State Governments, the National League of Cities, the National Association of Counties, the United States Conference of Mayors, the International City/County Management Association, and the American Legislative Exchange Council.

Ms. JACKSON-LEE of Texas. Mr. Speaker, I thank the gentleman.

Reclaiming my time, let me add my applause for this compromise, and the fact that we are moving into the 21st century in promoting the Internet.

Mr. NADLER. Mr. Speaker, I yield myself such time as I may consume.

(Mr. NADLER asked and was given permission to revise and extend his remarks.)

Mr. NADLER. Mr. Speaker, I want to take this opportunity to say, having talked about the merits of the bill and why it is necessary, and that it is in fact a good compromise between the undoubted necessity of the States and local governments to have the ability to tax the Internet once, and the necessity on the Federal level of having a moratorium now to make sure that we do not have overlapping and commercially destructive rival taxation, this is a good bill.

I want to say a word about the process. First of all, I want to thank and congratulate the chairman of the committee, the Committee on the Judiciary, the gentleman from Illinois (Mr. HYDE), and the gentleman Pennsylvania (Mr. GEKAS) from the subcommittee, for the cooperative and bipartisan manner which this bill was moved, and the cooperation they have afforded to the gentleman from Michigan (Mr. CONYERS) as ranking member of the Committee on the Judiciary, and myself as ranking member of the subcommittee.

I also want to point out for the RECORD that this bill is entirely and completely within the jurisdiction of the Committee on the Judiciary, and that interstate taxation is within the core jurisdiction of the Committee on the Judiciary, and that the Committee on the Judiciary reported the bill to the floor, and the bill that we have before us now is virtually identical to that bill, and that the bill that the Committee on Commerce reported was stripped of all interstate taxation matters and Internet taxation matters by the Committee on the Judiciary because they have no jurisdiction, and we do not want any precedent set for the future on this bill.

So it is a good bill. I am glad some members of the Committee on Commerce cooperated on this, but the record should reflect that this bill came through the Committee on the Judiciary, and we will have a full record of the history and the extension in the RECORD, because we should not permit a further diminution or attempted diminution of the jurisdiction of the Committee on the Judiciary on this worthy bill.

I urge my colleagues to vote for this bill.

Mr. GEKAS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, the gentleman from New York is quite correct, that the process that was engaged in in order to bring us to this point was emblematic of some of the cooperation that we can determine from both sides of the aisle, and to help the public understand more of a very complex issue.

I was impressed by the witnesses that we had in our particular hearing, because they brought every single perspective possible on the whole world of Internet. That helped us to build the momentum to which I referred earlier which finally led to the compromises and the moratorium that will now be in place when we finally vote on this measure.

Mr. DAVIS of Virginia. Mr. Speaker, I rise today in strong support of H.R. 4105, the Internet Tax Freedom Act. I am proud to have been an original co-sponsor of the pre-cursor to this legislation and believe that it is crucial to the continued development of the Internet.

In the last 5 years, the growth of the Internet has created an entirely new method of communicating: electronic commerce. With this rapid growth we have seen tremendous benefits and revolutionary technology, presenting unprecedented social and economic issues. These changes are forcing national and State legislators to quickly catch up with this growth from a policy-making perspective. The taxation of everyday sales transactions presents many complex economic and constitutional issues that should be resolved in a deliberate and holistic process, rather than a patchwork of rules and court decisions that would likely accompany future efforts by State and local governments to tax Internet transactions and services.

The Internet Tax Freedom Act will give Congress and the technology industry the opportunity to examine Internet taxation issues thoroughly during a 3-year moratorium on State and local Internet taxation. It reflects the truly admirable spirit of cooperation between its chief sponsor, Representative CHRIS COX, and State and local policymakers who were able to come together and work hard on a matter which has multi-faceted consequences on retail businesses, State and local treasuries, continued technological development, and our judicial system, to name a few.

The Internet is a revolutionary technology that has become an integral part of our nation's economic growth. And it promises to expand beyond anything we could imagine. It would be detrimental, I believe, to our nation's leadership in this industry if we were to allow taxation issues to stunt the growth of the Internet. For this reason, I am very pleased that we have been able to bring the Internet Tax Freedom Act to the floor today. And I particularly want to commend Mr. COX for his foresight in introducing this legislation that we will be voting on today.

Mr. THOMAS. Mr. Speaker, I rise to address an issue which will have a dramatic impact on our children, small businesses, and

the global economy—the taxation of the Internet. The Internet has not reached its full potential, but electronic commerce has already generated $1 billion. Congress should support H.R. 4105, the Internet Tax Freedom Act, because unwarranted taxation of the Internet would only stifle the growth of this young and dynamic communications system.

This bill is crucial to communications in the 21st Century. Taxation leads to a lack of competition, with the telephone industry as a perfect example. The Internet is a valuable resource to which as many people as possible should have access. If competition is hindered, less people will be able to utilize this important communications tool.

There are many problems with Internet taxation. Several States tax Internet access under existing statutes, including Iowa, Connecticut, Illinois, and the District of Columbia. We need this legislation now because the number of States taxing this industry could expand very quickly as States search for new means to expand their tax base. This bill needs to be passed as a proactive measure, and not a reactive measure after every State has adopted different taxation laws. There are more than 4,000 Internet Service Providers in this country, and most of them are small businesses. How can these small businesses survive when individual States are playing with different tax codes?

The Internet has no specific boundaries and its transmissions are therefore vulnerable to multiple taxation from States and localities. If everyone takes a cut from different points of creation, then State and local taxes will kill the goose that laid the golden egg. Multiple taxation would cause confusion and would provide a disincentive for free dissemination of information and ideas. Because of the Internet's easy accessibility from anywhere in the world, home-bound, disabled, and elderly people have access to information and resources that they would not otherwise have.

American providers of this service need a level playing field in order to remain competitive with other global providers. The growth of Internet and online services will increase the productivity of many different businesses, making them more competitive globally and therefore expanding U.S. sales of new products and services. As we are move toward international agreements on Internet taxation, we must first move to come to a consensus on how we tax the Interet within our own country. Finally, the Internet has shown great possibilities in the future for commercial users. It allows people to create their ''own'' market.

Our goal is not to permanently make Internet transactions tax-free. We simply want to provide safeguards against multiple or special taxation. We are not trying to make Internet transactions tax-free. Rather, we want to stop multiple or special taxation. For example, a business selling goods in a retail store operates under a single set of tax rules, but a business selling goods over the Internet is subject to much more uncertainty. It is also potentially subject to thousands of State and local taxing jurisdictions.

H.R. 4105 would establish a moratorium on State and local taxes which specifically target the Internet, such as taxes on Internet access or online services. It would also commission a 2-year study of sub-national and foreign taxation of Internet commerce. This study would ensure that lawmakers do not enact new taxes without proper data. Last, the bill calls on the Clinton administration to be as aggressive as possible in keeping the Internet free from anti-competitive taxes and tariffs.

I urge Congress to support H.R. 4105, the Internet Tax Freedom Act. If we allow the Internet to be taxed at different points along the way, we are ultimately restricting access to it. Americans already pay enough taxes. Why should we expose them to multiple taxes on the Internet when it will only restrict the access to, growth of, and competition in this essential resource?

With that, Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Pennsylvania (Mr. GEKAS) that the House suspend the rules and pass the bill, H.R. 4105.

The question was taken; and (two-thirds having voted in favor thereof), the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

UNFAIRNESS IN TAX CODE: MARRIAGE TAX PENALTY

(Mr. WELLER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WELLER. Mr. Speaker, let me explain why enactment of the Marriage Tax Elimination Act is so important for working families, with a series of questions.

Do Americans feel that it is fair that our Tax Code imposes a higher tax on working married couples just because they are married?

Do Americans feel that it is fair that 21 million married working couples pay on the average $1,400 more in higher taxes than an identical couple with an identical income who live together outside of marriage?

Do Americans feel it is right that our Tax Code actually provides an incentive to get divorced?

Twenty-one million couples pay on the average $1,400 more just because they are married. Back in the south suburbs of Chicago where I have the privilege of representing, $1,400 is one year's tuition at Joliet Junior College, our local community college. It is three months of day care at a local day care center. That is real money.

This summer this House made a commitment to address and eliminate the marriage tax penalty with the passage of the House budget resolution just a short 2 weeks ago, a budget that spends less and taxes less. Let us honor that commitment, let us eliminate the marriage tax penalty. Let us eliminate it now.

UNFAIRNESS IN TAX CODE: MARRIAGE TAX PENALTY

Mr. WELLER. Mr. Speaker, I rise today to highlight what is arguably the most unfair provision in the U.S. Tax Code: the marriage tax penalty. I want to thank you for your long term interest in bringing parity to the tax burden imposed on working married couples compared to a couple living together outside of marriage.

I would also like to commend the leadership of House budget Chairman KASICH for including elimination of the marriage tax penalty as a top priority in this budget resolution. The Republican House Budget Resolution will save a penny on every dollar and use those savings to relieve families of the marriage penalty and restore a sense of justice to every man and women who decides to get married.

Many may recall in January, President Clinton gave his State of the Union Address outlining many of the things he wants to do with the budget surplus.

A surplus provided by the bipartisan budget agreement which: cut waste, put America's fiscal house in order, and held Washington's feet to the fire to balance the budget.

While President Clinton paraded a long list of new spending totaling at least $46–$48 billion in new programs—we believe that a top priority should be returning the budget surplus to America's families as additional middle-class tax relief.

This Congress has given more tax relief to the middle class and working poor than any Congress of the last half century.

I think the issue of the marriage penalty can best be framed by asking these questions: Do Americans feel its fair that our tax code imposes a higher tax penalty on marriage? Do Americans feel its fair that the average married working couple pays almost $1,400 more in taxes than a couple with almost identical income living together outside of marriage? Is it right that our tax code provides an incentive to get divorced?

In fact, today the only form one can file to avoid the marriage tax penalty is paperwork for divorce. And that is just wrong!

Since 1969, our tax laws have punished married couples when both spouses work. For no other reason than the decision to be joined in holy matrimony, more than 21 million couples a year are penalized. They pay more in taxes than they would if they were single. Not only is the marriage penalty unfair, it's wrong that our tax code punishes society's most basic institution. The marriage tax penalty exacts a disproportionate toll on working women and lower income couples with children. In many cases it is a working women's issue.

Let me give you an example of how the marriage tax penalty unfairly affects middle class married working couples.

For example, a machinist, at a Caterpillar manufacturing plant in my home district of Joliet, makes $30,500 a year in salary. His wife is a tenured elementary school teacher, also bringing home $30,500 a year in salary. If they would both file their taxes as singles, as individuals, they would pay 15%.