



Committee On Finance

Max Baucus, Ranking Member

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Floor Statement of Senator Max Baucus Regarding the Internet Tax Moratorium

(WASHINGTON, D.C.) U.S. Senator Max Baucus issued the following statement regarding the Internet Tax Freedom Act during today's Senate debate. The floor statement follows:

"Mr. President, I support the Internet Tax Freedom Act. This bill represents a reasonable compromise. We should enact it. A tremendous amount of work went into this bill. I commend the Commerce Committee for its effort to resolve some of these complex issues. In particular, I commend Chairman McCain and Senator Hollings for working to bring parties together and develop a common-sense bill.

Last fall, the Senate entered an order recognizing that the Commerce and Finance Committees share jurisdiction over this bill. That order granted sequential referral of this bill to the Finance Committee after the Commerce Committee acted. We inherited a host of unresolved issues. And, after thorough examination — and in consultation with Members of the Finance Committee — we decided to allow the bill to be discharged without a mark-up.

Let me briefly explain what this compromise bill does. Importantly, the bill extends the moratorium for four years. Some argue that this is too long, and others believe that the tax moratorium should be permanent. Four years represents a reasonable compromise. Four years will allow us to revisit unresolved issues in the future.

Next, the bill allows states to continue tax telecommunications if they decide they want to. The bill makes clear that when phone lines are carried over the Internet in the future using Voice Over Internet Protocol technology, states will still be able to assess telecommunications taxes on that service. I know several Senators had concerns about protecting their states' ability to tax phone service, and this bill meets their concerns.

Finally, the bill provides a soft landing for states that have been grandfathered under the 1998 act. The 1998 act allows certain states, who taxed Internet access prior to 1998, to continue to do so. It is time to make the Internet Tax Freedom Act national policy. The Internet is a national treasure, and a pillar of interstate commerce. In future legislation, we should phase out the grandfather clause and allow ourselves to move this national policy forward, without leaving any state behind.

This does not mean that I believe the bill is perfect. But it is a good bill. And it should move forward. But before I agreed to support this bill, I made sure of two things:

- One: This bill would not harm Montana's businesses and citizens.

- And two: This bill would bring jobs and economic growth to Montana.

First, this bill will not harm Montana. It accommodates Montana's special needs in Universal Service and emergency 911 services. This bill does not jeopardize the Universal Service program. Universal service helps Montana rural telephone companies to provide telephone access to rural areas. Universal service is extremely important to Montana.

Rural America stands on the edge of a digital revolution. Technology will move us to places about which we can only dream. But we must preserve the networks that will provide us that opportunity. The telecommunications network in Montana is among the best in the country. Over 140 communities have DSL. We have 95 videoconferencing sites spread throughout the state. The Universal Service fund helped build this network.

In addition, this bill would not harm Montana because it helps maintain emergency communications through the federal enhanced 911 program, or E-911. E-911 allows police, fire, and emergency workers automatically to locate those who call 911. In Montana, where open space can go on for miles, this technology can mean the difference between life and death.

Many state and local governments have diverted E-911 funds to other uses — away from development of an E-911 network. This bill ensures that those providers that use the E-911 network continue to pay for it. We need to ensure funding of this extremely important program. I appreciate the efforts of Chairman McCain and Senator Hollings to ensure that E-911 is protected.

Second, this bill will bring good jobs to Montana. Companies like Internet Montana — an Internet service provider headquartered in Bozeman — provide Internet access to thousands of subscribers in Montana and neighboring states. Keeping Internet access tax-free helps businesses like these grow. Keeping Internet access tax-free breaks down costly barriers. This keeps jobs in Montana.

The next 5 years will bring change in the technology and the market for Internet access. Technological advances will blur the very definitions of Internet service and use. These changes will affect how we access the Internet, and how much we pay for doing so. These changes pose challenges for writing legislation.

This bill represents an attempt to balance the interests of those who want to make sure that the Internet remains tax-free, with those who are concerned that if we try to define Internet access, we may erode state and local tax coffers. As technology changes, we will need to watch this delicate balance. I look forward to working with my Colleagues to ensure that this legislation lives up to its promise.”

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