

UNITED STATES SENATOR • IOWA  
**CHUCK GRASSLEY**  
RANKING MEMBER • SENATE COMMITTEE ON FINANCE

---

<http://grassley.senate.gov>  
[press\\_office@grassley.senate.gov](mailto:press_office@grassley.senate.gov)

Contact: Jill Kozeny, 202/224-1308  
Jill Gerber, 202/224-6522

Opening Statement of Sen. Chuck Grassley  
Hearing, "Cybershopping and Sales Tax: Finding the Right Mix"  
Wednesday, August 1, 2001

This morning we are here to learn more about modern technology's influence on the tax world, in particular on state and local tax systems. In the past, the Finance Committee has focused on state and local taxation and its relationship to interstate commerce. We have looked at remote sales through mail order and telephone orders. More recently, the Internet has brought these issues to the spotlight once again.

State and local taxation is an area that has traditionally fallen under the jurisdiction of the Finance Committee. I would like to take this opportunity to note for the record the longstanding involvement of the Finance Committee in this area. In the late 1960s and early 1970s, for instance, there were a number of Senate bills dealing with the topic of state and local taxation. All of those bills were referred to the Finance Committee. The Finance Committee even established a Subcommittee on State Taxation of Interstate Commerce during the 93<sup>rd</sup> Congress.

In fact, it was so widely accepted that the Finance Committee had jurisdiction over this issue that when Senator Warren Magnuson, the long-serving chairman of the Commerce Committee, introduced a bill "to regulate and foster commerce among the States by providing a system for the taxation of interstate commerce," he specifically designated one Senate committee to evaluate the action of the states in this area -- Chairman Magnuson chose the Finance Committee. Since that time, many other bills concerning state and local taxation have been referred to the Finance Committee. Among these, the most important are a long line of bills regarding the interstate collection of sales and use taxes, something that is analogous to legislation introduced regarding taxation of the Internet. This trip down memory lane should make the record clear that the Finance Committee's involvement with interstate tax issues is here to stay, regardless of whether commerce is conducted via pony express, telephone or the Internet.

The Internet moratorium that this Committee worked on, and Congress passed in 1998, will expire this fall. That moratorium only dealt with taxes on Internet access, and multiple or discriminatory taxes on electronic commerce. It did not address the significant state and local sales tax issues relating to cybershopping that we will learn about today. When Congress revisits the moratorium issue, it is important that we have a better understanding of this new form of modern commerce.

Today's hearing is, therefore, particularly important -- it is important because we are here to learn about the impact of cybershopping on state and local tax systems. Now that the initial frenzy of shopping over the Internet has calmed down to a steady buzz, we must analyze the impact of these transactions on sales taxes, and its effect on state and local revenues.

We also will learn about the international aspects of taxing Internet commerce. Many members may be dismayed to hear that several European Union countries want to impose value-added taxes on U.S. businesses that sell digital products from their web sites. This has grave implications for U.S. businesses of all sizes.