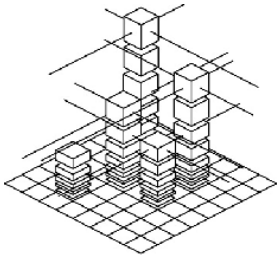


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**FOR IMMEDIATE RELEASE**

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## **Telecommunications Communications Breakdown?**

Washington, DC – "NATOA is disappointed in what appears to be a complete breakdown in communications on the very important issue of telecommunications," said Libby Beaty, Executive Director of NATOA.

Beaty is making reference to statements made by Senator Ron Wyden (D-OR) on the floor of the United States Senate pertaining to the pending Internet Tax Freedom Act on Wednesday, October 15, 2003. Senator Wyden states that "in the last few days a proposal that I find truly alarming has been brought forward by some of the state and local officials." Senator Wyden continues by saying that "those who are making this proposal are not going to come out publicly and talk about their ideas for taxing e-mail." What Senator Wyden fails to do is identify any state or local organization that has proposed the proffered language. So, while he would accuse those who are seeking changes to Senate Bill S.150, The Internet Taxation and Non-Discrimination Act, of attempting to tax consumer's e-mail, he has wholly failed to identify who the offending groups are.

"Apparently Senator Wyden is misinformed. It's not an extension of the existing Internet Tax Moratorium that local governments object to," Beaty said. "In fact, we fully support a less than permanent extension of the current moratorium and to my knowledge have not taken any position otherwise. My local government membership does object to the proposal to expand the scope of the definition of Internet Access and to prematurely make permanent the moratorium without having fully assessed the impact of such action. Please note that it's the House and Senate who have proposed expanding the scope of the current law (preemption) and not local governments seeking to change the status quo."

"Senator Allen's office has recently approached some of our members with new draft language, and we applaud the Senator for recognizing the concerns that local governments are raising. We appreciate the outreach, and, while it is our understanding that the draft language may not wholly address our concerns, it is the outreach that matters to us at this point. We trust that the Senator's staff will continue to work with state and local governments to reach an appropriate resolution. If necessary, we support maintaining the status quo while such discussions are on-going."

The Congressional Budget Office report on S. 150 states, "CBO estimates that enacting S. 150 would have no impact on the federal budget, but beginning in 2007, it would impose significant annual costs on some state and local governments....CBO estimates that repealing the grandfather clause would result in revenue losses for as many as 10 states and for several local governments totaling between \$80 million and \$120 million annually, beginning in 2007. We also estimate that the change in the definition of Internet access could affect tax revenues for many states and local governments, but we cannot estimate the magnitude or the timing of any such additional impacts at this time." The report clearly states that their estimate is based only on the 10 states affected by the grandfather provision of the existing law, and they have no estimate on the costs for the remaining 40 states.

The Multistate Tax Commission, in an effort to ascertain what some of the remaining impact may be (depending on the interpretation given to the language proposed by Senator Wyden), indicated in its press release to a study on the House companion bill, H.R. 49, that "[t]he Internet tax moratorium passed by the U.S. House of Representatives on September 17, 2003, would end up reducing state and local revenue collections by at least \$4 billion and as much as \$8.75 billion annually by 2006, rather than the \$500 million estimated cost under the legislation's narrower original focus."

"Senator Wyden and members of the Senate Commerce Committee and Senate Finance Committee who support the language of H.R. 49 and S.150 appear ill-informed," Beaty continues. "They are taking action without understanding or appreciating the consequences, and I believe that any member who supports this legislation in its current form will also be draining revenue from their own state and local governments. These state and local governments, in turn, have already been hit hard by the economic down-turn yet they continue to provide vital services to constituents."

"Finally, to cast state and local governments into one arena and state that proposed amendments are about "taxing e-mails" is simply wrong. This fight is about taking away resources from state and local governments that provide vital services for our citizens and giving a windfall to corporate America. Mayors from across the country have been sending letters asking that the Senate not act rashly. I would note that the 'Big 7' associations, comprised of the National Governors Association, National Conference of State Legislatures, Council of State Governments, National League of Cities, U.S. Conference of Mayors, National Association of Counties, and the International City/County Management Association stated in their letter in response to Senator Wyden's proposed modifications that "[i]t is critical for Congress to precisely determine the scope of the moratorium before it extends the ITFA. Given the uncertainties posed by S. 150 and H.R. 49, we urge you to amend the definition of Internet access to clarify that the moratorium applies only to access, and not to expand it to other services or products."

NATOA calls upon Senator Wyden and others to step back, confirm what it is they seek to accomplish through legislation, and then ensure that their bill clearly achieves that objective. NATOA believes that their objectives can be achieved without hidden or unintended windfalls to corporate America at the expense of already hard-pressed local and state governments. If they are serious about reform, then do it openly, so that state, local and federal policy makers will all know what is at risk.