**National Association of Counties**

**National League of Cities**

**The United States Conference of Mayors**

**International City/County Management Association**

**Government Finance Officers Association**

**National Association of Telecommunications Officers and Advisors**

July 29, 2014

Dear Senator:

On behalf of local governments across the nation, our organizations are united in urging your support for the *Marketplace and Internet Tax Fairness Act* (S. 2609). This legislation would combine the *Marketplace Fairness Act* (S. 743), which passed the Senate last year by a strong bipartisan majority, with a ten-year extension of the *Internet Tax Freedom Act* (ITFA), which is scheduled to expire on November 1. This extension would preserve the ITFA’s longstanding grandfather clause that protects an estimated $500 million in annual revenues in seven states, and recognizes that the Internet access tax moratorium should not be made permanent in the midst of enormous technological change, particularly when telecommunications and cable services are rapidly transitioning to broadband services subject to the ITFA. We urge you to oppose any attempts to make the ITFA permanent.

The *Marketplace and Internet Tax Fairness Act* would also give states and local governments the ability to require out-of-state merchants to collect the same taxes that merchants on Main Street currently collect. As you are aware, due to court precedent,our Main Street merchants are currently at a five to ten percent competitive disadvantage to remote sellers. Although customers who make purchases from out-of-state merchants are required to pay a tax on such purchases, most do not because they are unfamiliar with the requirement.  Importantly, the legislation does not require any state or locality to impose or extend any tax to remote sellers. It merely gives statesthe ability to exercise discretion in deciding whether to require the collection of their taxes from remote sellers. Moreover, the legislation will not have any impact on federal revenues or expenditures. It would, however, enable states and local governments to collect an estimated $23 billion owed in sales taxes each year that could be dedicated to providing important public services such as infrastructure, education, health and public safety.

Our organizations also support the legislation’s ten-year extension of the current moratorium on Internet access taxes, as well as the grandfather provisions that preserve existing state and local revenues, as a sensible solution that respects state and local taxing authority. Over the next several years, most of the services currently known as telecommunications and cable services will transition to broadband. As a result, the scope of the services that the current Internet access tax moratorium immunizes from state and local taxation will rapidly expand. The temporary extension provided for in S. 2609 would allow time to understand and more meaningfully assess what the transition from telecommunications and cable to broadband means for state and local governments, consumers, and other industries. A temporary extension ensures that Congress has the opportunity to revisit the moratorium to correct any unintended consequences.

For these reasons, we urge you to cosponsor and support the enactment of the *Marketplace and Internet Tax Fairness Act* (S. 2609), and to oppose any attempts to make the Internet access tax moratorium permanent. We stand ready to work with you to ensure the passage of this important legislation.

Sincerely,

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