



Legal Alert: U.S. House Passes Permanent Internet Tax Freedom Act

July 15, 2014

On July 15, the U.S. House of Representatives voted in favor of H.R. 3086, the Permanent Internet Tax Freedom Act (PITFA), by a voice vote. PITFA would permanently extend the moratorium on state and local taxation of Internet access and "multiple" or "discriminatory" taxes on electronic commerce.

The Internet Tax Freedom Act's History

President Bill Clinton signed the Internet Tax Freedom Act (ITFA) into law on October 21, 1998. ITFA prohibits states from taxing Internet access and also prohibits the multiple or discriminatory taxation of electronic commerce. Congress has extended ITFA three times: in 2001, 2004, and 2007. President George W. Bush signed the most recent extension, the Internet Tax Freedom Act Amendments Act of 2007, into law on November 1, 2007, which extended the moratorium to November 1, 2014. Thus, absent further action, ITFA is set to expire on November 1 of this year.

Grandfather Provision Repeal

In addition to permanently extending ITFA, PITFA would eliminate the "grandfather" provision that allowed certain states and localities to tax Internet access if they had done so prior to 1998. Hawaii, New Mexico, North Dakota, Ohio, South Dakota, Texas, Wisconsin, and some localities still tax some or all retail sales of Internet access, and would be affected if Congress enacts PITFA in its current form.

The U.S. Senate is considering a similar bill, the Internet Tax Freedom Forever Act (ITFFA), S. 1431, that would permanently extend ITFA. ITFFA is currently before the Senate Finance Committee.

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