



A M E R I C A N S F O R T A X R E F O R M

GROVER G. NORQUIST

PRESIDENT

Statement of Grover G. Norquist

The Internet is giving ordinary people access to extraordinary information and opportunities. Some people say it is changing everything. One thing it has not changed, however, is the irresistible urge by many in government to regulate and tax.

Throughout this Commission's work, we have witnessed the extraordinary lengths to which some in the political class will go to justify using the Internet as a means to impose new tax burdens on the American people. While most Americans rightly see the Internet as a fantastic new phenomenon that can improve the national economy and a family's economy at the same time, those who would tax it see it as a threat, dangerously outside the control of government.

Ultimately, a majority of the Commission chose to reject the alarmist claims and empty rhetoric of state and local politicians whose appetite for more taxes surpasses even the record budget surpluses most governments enjoy today. This Commission has embraced an approach that slashes taxes on consumers, encourages reform of the incomprehensible myriad known as the sales and use tax system, and help bridge the "digital divide."

In addition, the Commission has directly and forcefully rejected attempts by those who would tax the Internet to link simplification of sales and use taxes to guaranteed new powers to impose tax burdens on individuals and businesses outside of a government's jurisdiction. The Commission wisely recognized that simplification is good for its own sake, and need not be traded like some political football for a policy that would increase the tax burden on American consumers.

FALSE CLAIMS OF "FAIRNESS"

Politics makes for strange bedfellows, and this Commission proved to be no exception. In an attempt to divert attention from their real goal of raising taxes, the politicians who support a risky new tax collection scheme for cyberspace enlisted the support of a handful of "traditional" retailers, playing on their fears that the cyber-economy will leave them behind.

While some of these groups speak of "fairness," they advocate nothing of the sort. A clothing store in Arlington, Virginia need collect and remit taxes for only a single jurisdiction, and follow a single tax rate for a single table of taxable goods. Yet the advocates of "fairness" believe a clothing store operating in cyberspace should be responsible for collecting sales taxes for 6,600 different jurisdictions, each with their own tax rates, tables, audits, and reporting requirements.

The Commission ultimately recognized that these calls for “fairness” were actually an effort to squelch the online economy by forcing every e-vendor to become the tax collector for 6,600 different agencies. Rather than a prescription for “fairness,” such a system would turn the Internet’s global nature into a liability for anyone engaging in e-commerce. Rather than seize the opportunities presented by the Internet, these groups would rather destroy their online competitors and go back to business as usual. This option was rejected, and the Commission was correct for doing so.

NET TAX SCHEMES THREATEN PRIVACY

Another critical issue raised during the Commission’s deliberations was that of protecting Americans’ privacy from nosy government bureaucrats and tax collectors. The proposal put forth by the National Governors Association, which would enlist “trusted third parties” to serve as interstate tax collectors, provided a prime example of how state and local politicians will sacrifice taxpayers’ privacy in their quest for higher taxes.

Under the system envisioned by the NGA, all remote vendors would ultimately be required to collect personal consumer information and transmit such information to a “trusted third party” (which could be anything from the federal government to the United Nations), which would then calculate the applicable sales tax and separately charge the tax to the consumer’s credit card. **Privacy advocates quickly ripped the NGA’s proposal to shreds.**

In order to guarantee the integrity of the trusted third party system, regular auditing would be required, which could not be accomplished unless the third party kept electronic records of an individual consumer’s transactions. The notion of a government-controlled database keeping track of everything you ever bought, where you were when you bought it, what you paid for it, and where it was shipped is an idea that offends every principle of limited government and the privacy to which Americans are entitled. The Internet is an incredible phenomenon in the development of Western civilization. But it must not be used as a means for government to track the behavior of its citizens.

The idea of a national sales tax collection scheme for the Internet is not a popular one. Congress opposes it, as do a majority of Americans. The advocates of higher taxes indeed have a steep hill to climb if they are to realize their vision of the tax man being only a mouse-click away from every American’s desktop. As a result, they have enlisted the support of numerous taxpayer-funded organizations to wage an intense lobbying and public relations campaign designed to make their tax scheme appear more palatable.

The National Governors Association, the Council of State Governments, the National Conference of State Legislatures, the National League of Cities, the International City/County Management Association and the U.S. Conference of Mayors

all receive some form of direct or indirect funding from taxpayers. Yet, each of these groups is engaged in a campaign to impose new tax collection schemes on the American people. In other words, taxpayers are being forced to fund a campaign which, if successful, would result in higher taxes on those same taxpayers.

This report supports the position of the Republican Congressional leadership for a tax free Internet that is accessible to all Americans. Regulating interstate commerce is a power the Constitution reserves exclusively to Congress. Congress must now use that power to protect taxpayers and consumers from would-be cyber tax collectors.

Sincerely,

A handwritten signature in black ink, appearing to read 'Grover Norquist', written in a cursive style.

Grover Norquist
Commissioner, Consumer/Taxpayer Representative;
President, Americans for Tax Reform (www.atr.org)