



EXECUTIVE SUMMARY

The Internet Should Be Tax And Duty Free

While Visa recognizes concerns relating to the loss of government revenue from Internet businesses, Visa believes that taxation of the Internet as a medium will stifle the development and growth of electronic commerce. The Internet has empowered entrepreneurs and small businesses to be on equal footing with large businesses. Thus, we recommend that the Commission consider whether the Internet as a medium should be free of taxation. More specifically, to avoid stifling the development of electronic commerce through this medium, Visa encourages the Commission to consider a prohibition on tariffs and taxation of the Internet as a medium.

Equitable Application Of The Current Tax System To Electronic Commerce

Goods and services sold over the Internet should not be taxed any differently than goods and services sold by mail or telephone. To avoid the inequitable assessment of taxes on electronic commerce, the current tax system should be revised to ensure that taxes imposed on electronic commerce are not higher than taxes for any other multi-state commerce.

Financial Intermediaries Must Not Be Disadvantaged

There are numerous payment methods, in addition to credit and debit cards, that may be used in connection with the Internet, including ACH transfers and consumer and business purchases billed by Internet service providers or Internet portal companies. It is

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important that the Commission ensure that the payment card industry, including credit and debit cards, is not disadvantaged in any way by the Commission's actions. Some proposals have suggested expanding the duty of remote sellers and payment card participants to require collection and remittance of sales and use taxes. The onus of tax collection and processing must not be placed on the payment card systems.

Merchants Must Be Able To Rely On The Consumer's

Identification Of The Place Of Consumption

Sales and use taxes historically have been designed to impose an excise on the consumption of goods and services occurring in the place where the consumption occurs. It would be extremely burdensome for merchants or payment card issuers to attempt to identify accurately the place of consumption or the required taxes a consumer must pay. Thus, as in the mail and telephone order industry, the seller should be able to rely on information the consumer has provided for business purposes, such as a billing address or shipping address, as a proxy for place of consumption information, without further obligation to verify or confirm its accuracy.