

Assembly Joint Resolution

No. 41

Introduced by Assembly Member Robert Pacheco

January 19, 2000

Assembly Joint Resolution No. 41—Relative to electronic commerce.

LEGISLATIVE COUNSEL'S DIGEST

AJR 41, as introduced, Robert Pacheco. Electronic commerce.

This measure would memorialize the President and the Congress of the United States during the 106th Congress to act favorably on legislation, including, but not limited to, Sen. No. 1611, pertaining to the indefinite extension of the Internet Tax Freedom Act of 1998, and memorializes the President of the United States to seek a permanent global ban on tariffs on e-commerce and an international ban on special, multiple, and discriminatory taxation of e-commerce and the Internet.

Fiscal committee: no.

1 WHEREAS, Electronic commerce (e-commerce) is
2 not bound geographically and its borders are not easily
3 discernible; and
4 WHEREAS, Transmissions over the Internet are made
5 through packet-switching, making it impossible to
6 determine with any degree of certainty the precise
7 geographic route or endpoints of a specific Internet
8 transmission and infeasible to separate domestic from
9 foreign Internet transmissions; and

1 WHEREAS, Inconsistent and inadministrable taxes
2 imposed on Internet activity by subnational and national
3 governments threaten not only to subject consumers,
4 businesses, and other users engaged in interstate and
5 foreign commerce to multiple, confusing, and
6 burdensome taxation, but also to restrict the growth and
7 continued technological maturation of the Internet; and

8 WHEREAS, The complexity of the issue of domestic
9 taxation of e-commerce is compounded when considered
10 at the global level with almost 200 separate national
11 governments; and

12 WHEREAS, Fully 25 percent of all small businesses in
13 the United States have established an Internet presence
14 and 40 percent of all United States companies are
15 expected to be selling products online by the end of the
16 century; and

17 WHEREAS, The Internet has the potential to offer
18 tremendous returns on investment, especially for small
19 businesses, entrepreneurs with new products, retailers
20 wanting to expand beyond their local market, and
21 American businesses seeking an efficient way of
22 penetrating foreign markets; and

23 WHEREAS, The First Annual Report of United States
24 Government Working Group on Electronic Commerce
25 found that fewer than 10 million people worldwide were
26 using the Internet in 1995, that more than 140 million
27 people worldwide used the Internet in 1998, and that
28 more than 1 billion people worldwide will be using the
29 Internet in the first decade of the next century; and

30 WHEREAS, Information technology (IT) industries
31 have accounted for more that one-third of real growth in
32 the United States Gross Domestic Product over the past
33 three years; and

34 WHEREAS, IT industries employ more than 7 million
35 workers in the United States, and by 2006 more than
36 one-half of the United States workforce is expected to be
37 employed in industries that are either major producers or
38 intensive users of information technology products and
39 services; and



1 WHEREAS, Forrester Research, an independent
2 research firm, estimates that Internet-related revenues
3 will grow from \$43 billion in 1998 to more than \$109 billion
4 by the end of 1999 and could reach \$3.2 trillion by 2003;
5 and

6 WHEREAS, In June 1999, the accounting firm Ernst &
7 Young released a comprehensive report concluding that
8 sales tax lost on Internet transactions amounted to barely
9 one-eighth of 1 percent of total state and local
10 government sales and use tax collections in 1998; and

11 WHEREAS, The Internet Tax Freedom Act of 1998
12 enacted a policy against special, multiple, and
13 discriminatory taxation of the Internet and e-commerce,
14 and stated that United States policy should seek bilateral,
15 regional, and multilateral agreements to remove barriers
16 to global e-commerce; and

17 WHEREAS, Senator John McCain (R-AZ) introduced
18 Sen. No. 1611 in 1999 to extend indefinitely the Internet
19 Tax Freedom Act' 3-year moratorium against special,
20 multiple, and discriminatory taxation of the Internet and
21 e-commerce; and

22 WHEREAS, California demonstrated its commitment
23 to the development of the Internet and e-commerce by
24 passing an Internet Tax Freedom Act in 1998, prohibiting
25 any state or local agency from enacting discriminatory
26 taxes on the Internet and e-commerce; and

27 WHEREAS, The World Trade Organization (WTO), at
28 its May 1998 ministerial conference, adopted a
29 declaration that all 132 member nations "will continue
30 their current practice of not imposing customs duties on
31 electronic transmissions"; and

32 WHEREAS, The Organization for Economic
33 Cooperation and Development (OECD) and industry
34 groups issued a joint declaration at an October 1998
35 ministerial meeting on global e-commerce opposing
36 special, multiple, and discriminatory taxation of the
37 e-commerce and the Internet; and

38 WHEREAS, The Committee on Fiscal Affairs of the
39 Organization for Economic Cooperation and
40 Development has stated that neutrality, efficiency,



1 certainty, simplicity, effectiveness, fairness, and
2 flexibility are the broad principles that should govern the
3 taxation of e-commerce; and

4 WHEREAS, The United States has issued joint
5 statements on e-commerce with Australia, the European
6 Union, France, Ireland, Japan, and the Republic of Korea
7 opposing special, multiple, and discriminatory taxation of
8 e-commerce; and

9 WHEREAS, A July 1999 United Nations Report on
10 Human Development urged world governments to
11 impose “bit taxes” on electronic transmissions, raising
12 concerns that United States policy against special,
13 multiple, and discriminatory taxation of the Internet may
14 be undermined; and

15 WHEREAS, On October 26, 1999, the United States
16 House of Representatives on a 423-1 vote passed House
17 Concurrent Resolution 190 (Cox, R-CA) urging the
18 President to seek a global consensus supporting a
19 moratorium on tariffs and on special, multiple, and
20 discriminatory taxation of e-commerce; now, therefore,
21 be it

22 *Resolved by the Assembly and Senate of the State of*
23 *California, jointly,* That the Legislature of the State of
24 California recognizes that the Internet is a unique and
25 powerful tool capable of revolutionizing the conduct of
26 commerce; and be it further

27 *Resolved,* That the Legislature of the State of California
28 respectfully memorializes the President and the
29 Congress of the United States during the 106th Congress
30 to act favorably on legislation, including, but not limited
31 to, Sen. No. 1611, pertaining to the indefinite extension of
32 the Internet Tax Freedom Act of 1998; and be it further

33 *Resolved,* That the Legislature of the State of California
34 respectfully memorializes the President of the United
35 States to seek a permanent global ban on tariffs on
36 e-commerce and an international ban on special,
37 multiple, and discriminatory taxation of e-commerce and
38 the Internet; and be it further

39 *Resolved,* That the Chief Clerk of the Assembly
40 transmit copies of this resolution to the President and



1 Vice President of the United States, to the Speaker of the
2 House of Representatives, and to each Senator and
3 Representative from California in the Congress of the
4 United States.

O

