

Other Journal Sites

As of Wednesday, October 29, 2003

- Home
- News ▶
- Technology ▶
- Markets ▶
- Your Money ▶
- Opinion ▶
- At Leisure ▶

- In Today's Paper
- Columnists
- Portfolio
- Setup Center
- E-Mail Setup
- Site Map
- Discussions
- Help
- Contact Us
- Log Out

THE WALL STREET JOURNAL  
Print Editions  
Customer Service

Today In:

BARRON'S Online

## REVIEW & OUTLOOK

# Taxing Your E-Mail

One of the more enduring Internet hoaxes is the chain letter claiming that the government has an e-mail tax in the works. Well, if Congress doesn't extend the Internet tax moratorium before it expires at the end of this week, the e-mail tax could soon cease to be an urban legend.

The current moratorium, known as the Internet Tax Freedom Act, prevents taxes on Internet access; double taxation of Web purchases; and discriminatory taxes that treat online sales differently from offline sales.

In effect since 1998, these bans are working just as the bill's original authors, GOP Congressman Chris Cox of California and Democrat Senator Ron Wyden of Oregon, intended: Internet use and electronic commerce are growing rapidly, while the digital divide continues to close. Families making less than \$25,000 a year now comprise the fastest-growing segment of the Internet population, according to the Commerce Department.

But all of that will be jeopardized if the tax prohibitions are allowed to expire on Friday. A bill to make the provisions permanent passed the House in September but has stalled in the Senate, where GOP sponsor George Allen of Virginia is being thwarted by a few Republicans who have decided to dress up as tax-and-spend Democrats for Halloween.

Under pressure from the National Governors Association and others who see a digital cash cow in cyberspace, George Voinovich of Ohio and Lamar Alexander of Tennessee have bucked their President and party leaders by joining Democrats Maria Cantwell of Washington and Kent Conrad of North Dakota in holding up the bill. If these renegades are successful and the ban lapses, watch for the tax man to pounce.

"You will double-up the price of plain old Internet access faster than a dog can jump on a meat wagon," predicted Senator Wyden last week. But that's just the beginning. With no law to stop them, state and local officials can start taxing everything from spam filters to instant messages to Google searches. E-mail taxes alone would be a gold mine for free-spending politicians across the country. At a Senate hearing on spam in May, Minnesota Democrat Mark Dayton suggested "looking at some very, very small charge for every e-mail sent."

He's not alone. States and cities love the idea, and not just because of the potential for taxing, say, cross-country e-mails. Governors, mayors and county officials are thinking locally, too. A message sent by you to your neighbor per next Saturday's barbecue might easily pass through computer servers located in several of the nation's 7,600 different taxing jurisdictions.



EMAIL PRINT





Now there's a  
printer that  
can keep up.

» Roll over for specs  
» Shop now



"We have heard testimony repeatedly in Congress by representatives of states who wish to use that as a basis for taxation," says Congressman Cox. "The Internet by its architecture is innately susceptible to this type of multiple taxation. And it's because of the tyranny of multiple taxation that we enacted this ban in the first place."

Many states still in denial about their spending problems have continued to claim that they are revenue starved. Senator Voinovich, a former Ohio Governor, is being urged by his successor, Bob Taft, to oppose the moratorium on these grounds. This is the same Governor Taft who just raised the sales tax by 20% in Ohio, a state that has seen spending rise 70% over the past 10 years.

Mr. Alexander, another former Governor and one of the strongest proponents of Web levies, has been showing up at negotiations accompanied by lobbyists for state and local tax collectors. Their claim is that Internet taxation is a state issue. We're all for federalism, but if an e-mail transaction sent from Nashville to Phoenix via servers in Dallas and St. Louis isn't interstate commerce, then what is?

Making the tax moratorium permanent also gives the law a chance to catch up with new technologies. Five years ago wireless and digital subscriber lines (DSL) weren't viable options for accessing the Internet and hence were exempted from the original Internet Tax Freedom Act. Today, both are industry standards and growing as ways of logging on. They should be included in any permanent moratorium. Taxing cable Internet access differently than DSL access distorts competition and could ultimately reduce consumer choice.

If a handful of Senators think lots of new taxes on the Internet would be good for the medium and consumers alike, we'd like to see them explain themselves. But that would mean an honest vote, not the current procedural games that would let the moratorium expire and the taxmen cometh without a fight.

*Updated October 29, 2003*

 [EMAIL THIS](#)  [FORMAT FOR PRINTING](#)  [SAVE THIS](#)  [ORDER REPRINTS](#)

[Return To Top](#)

[Contact Us](#) [Help](#) [Mobile Devices](#) [E-mail Setup](#) [Corrections](#)

[Account Information](#) [Privacy Policy](#) [Subscriber Agreement](#) [News Licensing](#) [About Dow Jones](#)

Copyright © 2003 Dow Jones & Company, Inc. All Rights Reserved



#### @ Your Service

Trade 5 Free @ Lind-Waldock. Click Now!  
FREE report! Get your  
Stock Market Outlook.  
[CLICK HERE](#)

Give the perfect gift:  
The Online Journal  
Order Free Annual  
Reports

Order Free Fund  
Prospectuses  
Chance to Win an HP  
IPAQ Handheld PC  
More Insights. Better  
Decisions. Visit The  
Business Insight  
Center.

IBM Global Services -  
on demand thinking.  
Financial Workstations  
at PC Prices  
Chance to Win an HP  
IPAQ

