

June 16, 2015

The Honorable Dianne Feinstein
United States Senate
331 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Barbara Boxer
United States Senate
112 Hart Senate Office Building
Washington, D.C. 20510

Subject: Internet Tax Freedom Act (ITFA) - Reject a Permanent ITFA Extension in H.R. 235 and S. 431; Support Alternative Amendments to Correct an Overreach to Telecommunication Services

Dear Senator Feinstein and Senator Boxer:

MuniServices requests that you reject efforts for a permanent extension of the Internet Tax Freedom Act (ITFA), as proposed in H.R. 235 and S. 431. The House's voice vote approval of H.R. 235, with very little substantive debate, is of particular concern with the current ban set to expire on September 30, 2015.

Many California local governments and MuniServices strongly oppose the above-referenced bills as currently written. We are especially concerned with their overreach, since they both go beyond Internet access and extend to telecommunication services, which have been historically subject to California's local telecommunication tax. These two bills would have the effect of preempting our State Constitution (Proposition 218), and ignoring the wishes of our local voters to have their local telecommunication tax imposed in a technology-neutral, non-discriminatory manner.

For background, for over 35 years MuniServices has partnered with many of our Country's municipal governments including over 200 agencies in California as a full-service provider of revenue enhancement services. Approximately 155 public agencies in California have a utility user tax (UUT) ordinance, most of which are voter approved. Our firm works directly with nearly 60 of those UUT public agencies. Last year and with previous sessions, MuniServices supported efforts to extend the ITFA including those provisions in S. 2609, the Marketplace and Internet Tax Fairness Act (MITFA). MuniServices respectfully requests your consideration of two alternative amendments, which would correct the overreach of these bills and protect existing voter-approved local telecommunication taxes. The two alternative amendments are:

- "Unbundling" telecommunications from the definition of "internet access"; or,
- Create an exception for a voter-approved excise tax on telecommunications, pursuant to California law. To our knowledge, only three other states have such a voter approval requirement, and none (other than California) have a local excise tax on telecommunications.

Either of these two limited amendments would provide UUT municipalities in California with a continued protection of Internet-related services from discriminatory state and local taxes. Without either amendment, however, we must oppose a permanent ban, and respectfully request that you do the same, and support an extension of the existing moratorium.

We thank you for your continued support of California local government, and honoring and protecting the wishes of our local voters pursuant from the preemptive effect of any proposed federal legislation. When the California voters passed Proposition 218, it was with the intent of leaving the area of local taxation in the hands of its local voters.

We strongly urge you to recognize the unique situation of California local government and its Constitution, and correct the issues we have identified with an appropriate amendment. Should you have any questions or require additional information please contact me or my colleague Fran Mancina, Vice President, Government Relations at 558.288.7296 or at Fran.Mancina@MuniServices.com.

Respectfully,



Brenda Narayan
Director of Government Relations
916.261.5147 / Brenda.Narayan@MuniServices.com

cc: California House of Representatives
League of California Cities, Jennifer Whiting
US Conference of Mayors, Larry Jones
National League of Cities, Clarence Anthony
Governance Finance Officers Association, Dustin McDonald