

Statement of Representative Anna G. Eshoo
House Committee on the Judiciary
Subcommittee on Subcommittee on Commercial and Administrative Law
Hearing on the *Internet Tax Freedom Act*
2141 Rayburn House Office Building
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Thank you Madam Chairwoman for inviting me to testify today about my legislation, H.R. 743, the *Permanent Internet Tax Freedom Act of 2007*. This effort enjoys strong bipartisan support in the House, with 138 cosponsors including 18 Members of the Judiciary Committee.

It's an honor to join with Representative Bob Goodlatte, a Member of this Committee and with my longtime friend and "father" of this effort in the Senate, Senator Ron Wyden.

My legislation is very short and very simple. It merely strikes the beginning and end dates of the current moratorium, thus making the moratorium permanent.

H.R. 743 would guarantee that the barriers created by taxation of Internet access and e-commerce would not be erected when the current moratorium expires later this year, nor would the barriers arise in the future.

This is the certainty that innovators and start-ups are looking for and which only a permanent moratorium can provide.

When this issue first rose to prominence in the late 1990's, my congressional district, home to Silicon Valley, was bustling with activity in the burgeoning Internet sector.

In just one year, from 1997 to 1998, the number of Internet users more than doubled from 70 to approximately 150 million, and the 2 millionth domain name was registered in May of 1998.

In September of '98 a small, start-up company was also “born” in a garage in Menlo Park – Google, Inc.

Congress and President Clinton recognized the promise of the Internet and the need to foster its growth and development by maintaining an open architecture with limited barriers to entry, and minimal regulatory and administrative burdens.

Of particular concern was the potential for Internet access and services to become a target for government taxing authorities looking for new sources of revenue.

We recognized at that time that it would not serve our country well to interfere with the growth of this exciting and invaluable tool for information, communications, and commerce, and we prohibited new and discriminatory taxes on the Internet.

The moratorium has served us well. The Internet is now an integral part of everyday life. Americans across the country utilize the Internet for communication, commerce, business, education and research.

If we reverse course now, we’ll essentially kill GoldenGoose.com.

According to the most recent data, the U.S. now ranks 24th in broadband penetration among all industrialized countries.

This is simply not acceptable for the country that invented the Internet, and I’m proud to support a variety of efforts, including the Speaker’s *Innovation Agenda*, which will rectify this deplorable situation.

I can think of few things we could do to impede this effort more than subjecting Internet access and e-commerce to new taxes. Our competitors realize that access to broadband is essential to be competitive in the 21st Century global economy, and they are heavily subsidizing it.

Allowing this moratorium to expire would do the opposite and disincentivize broadband access for every American.

These taxes are also inherently regressive and would hit low-income households the hardest, widening the breach of the “Digital Divide.”

And the threat of new Internet taxes will also impede innovation and the development of new technologies and applications that will revolutionize business, healthcare, education and entertainment in our country, but only if all Americans have affordable access to advanced broadband service.

For all these reasons, it's essential to enact a permanent moratorium to remove this cloud over the Internet once and for all.

The marvel of the Internet and the key element in its rapid growth has been the ability of any user or business to get onto the Net and reach any other user without paying an "entrance fee" or imposing significant barriers.

It's critical for Congress to enact a permanent moratorium:

- 1. To reflect our commitment to universal broadband in America;**
- 2. To provide certainty to the entire Internet community that access to the Net will remain tax free;**
- 3. To ensure e-commerce will remain free of discriminatory taxes.**

Thank you again Madam Chairwoman for the opportunity to testify today. I look forward to working with you to enact this important legislation.