

# NAR Issue Summary

## Federal Tax / Internet Tax Moratorium

### **NAR Committee:**

Federal Taxation Committee

### **What is the fundamental issue?**

In the late 1990s, as the Internet was gaining traction, some state governments imposed telecommunications taxes on Internet dial-up services. Congress believed these were inappropriate and could harm a fledgling industry, so it banned state and local governments from imposing taxes on Internet access. Some already-enacted taxes were grandfathered, however. That moratorium expired on November 1, 2007, but was renewed for another seven years, and then for another year late in 2014. The moratorium is now set to expire on October 1, 2015. Later this year, Congress will need to pass a new bill to extend the moratorium again.

### **I am a real estate professional. What does this mean for my business?**

REALTORS® were early adaptors in the electronic information age. They continue to make extensive use of technology available to them, and so do many or even most of their clients. Prospective homebuyers search online for homes, offers are made and accepted, and real estate transactions are even closed over the Internet. Thus, it is important that the tax costs of these technologies be kept as low as possible.

### **NAR Policy:**

NAR opposes taxes on Internet access, and supports legislation to extend or make permanent the moratorium.

### **Opposition Arguments:**

Some state and local governments, which had enacted Internet access taxes before the original moratorium was put in place, may find themselves losing revenue as a result of an extension of the Internet Tax Moratorium. This is because the bills currently pending in the Congress to extend the moratorium would also end the grandfather of these early taxes.

### **Legislative/Regulatory Status/Outlook**

Bills have been introduced in both the House of Representatives and the United States Senate to extend the moratorium on taxing access to the Internet, and also to keep it free of any kind of multiple or discriminatory tax on electronic commerce.



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The bill in the House is H.R. 235, which was introduced on January 9, 2015, by Rep. Robert Goodlatte (R-VA), who happens to also be the chairman of the House Judiciary Committee, which is the committee of jurisdiction for this bill. A nearly identical bill, S. 431, was introduced by Senator John Thune (R-SD) on February 10, 2015.

Late last year, Congress extended the moratorium, which was set to expire on November 1, 2014, through December 11, 2014. Congressional leaders tried to pass a permanent extension of the moratorium, but the most that could be passed was another short-term extension, this time to October 1, 2015.

Congress is unlikely to act on these bills until the October 1, 2015 deadline approaches. It is unclear whether a permanent extension of the moratorium can pass this year, or whether Congress will again merely extend the ban on a temporary basis. But Congress letting the moratorium expire is viewed as unlikely.

### **Current Legislation/Regulation (bill number or regulation)**

H.R. 235, The Permanent Internet Tax Freedom Act  
S. 431, The Internet Tax Freedom Forever Act

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