

ASSEMBLY BILL 223

Testimony of Chris LaRowe Manager of External Affairs – WSTA Before the Assembly Energy & Utilities Committee Tuesday, December 18, 2007

Good morning. Mr. Chairman. Committee members. My name is Chris LaRowe and I'm the Manager of External Affairs for the Wisconsin State Telecommunications Association (WSTA). WSTA is a statewide trade association representing 70 Wisconsin local telephone companies, 25 of the state's Internet Service Providers (ISPs) and 9 of the state's wireless carriers. Thank you for holding this important hearing today and for the opportunity to provide testimony regarding Assembly Bill 223, relating to excluding Internet access services from the definition of telecommunications services for sales and use tax purposes. First, I'd like to thank Rep. Zipperer for his leadership on this issue and all of the previous authors and co-sponsors of similar legislation during previous sessions. Late last week, WSTA distributed a press release to Committee members (and others), which goes into greater detail on why WSTA supports AB 223, and today I'd like to highlight two important reasons:

- An Internet access sales tax, which only 9 states continue to collect, affects Wisconsin's ability to attract tech-savvy companies, a problem that will grow exponentially with the continued emergence of technologies such as Voice over Internet Protocol (VoIP). Wisconsin's position is contradictory, at best, for a state eager to attract technology and innovation. The millions of dollars the governor and Legislature has dedicated to making our great state attractive to growth industries in biotechnology, and a multitude other economic development initiatives, will never realize their full potential if the tax on Internet access continues. This contradictory message needs to stop now; and

- Wisconsin's Internet access tax is also problematic because of the potential for uneven application. Internet service providers that are located in Wisconsin must collect this tax from their subscribers. Out-of-state providers may not have a sufficient nexus with the state, requiring their subscribers to pay a "use tax" on their Internet access services when filing their annual income tax return. Unfortunately, few people are aware of the "use tax" obligation, and even fewer actually pay. The result is that the Internet access tax may have a disproportionately adverse effect on Wisconsin-based ISPs since their services will appear to be more expensive on the bill.

In conclusion, WSTA believes the time has come for Wisconsin's proponents of this tax to realize what Presidents Clinton and Bush, Congress, and 41 other states have already realized: taxing Internet access is shortsighted public policy that creates disincentives for investment and innovation.

What I'd like to do know, is introduce Mr. Mike Falaschi, President of Wisconsin Internet Inc. (Racine, WI) - a Wisconsin-based ISP – who's company deals with this issue every day. After Mike's remarks, we'd both be happy to answer any questions Committee members may have.
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