

September 7, 2005

Michael L. Morgan
Secretary – Department of Revenue
2135 Rimrock Rd.
P.O. Box 8933
Madison, WI 53708-8933

RE: Exempting Internet Access Services from Sales and Use Tax

Dear Secretary Morgan:

On behalf of the Wisconsin State Telecommunications Association (WSTA), I write to you today regarding our support of exempting Internet access services from Wisconsin's sales and use tax. Recent action taken by the Federal Communications Commission (FCC) directly relates to this issue and supports our position.

At a hearing of the Assembly Committee on Ways and Means on September 17, 2003, the Department of Revenue (DOR) provided the following testimony:

“.....Under current law, Internet access is a *telecommunications service* and, therefore, subject to sales and use tax.....”

However, as you may know, the FCC recently ruled that beginning in about a year, phone companies will not have to lease their high-speed lines to competing Internet service providers at government-set rates. The FCC order follows a Supreme Court ruling in June that upheld the commission's authority to free cable companies offering broadband from the same regulations that phone companies have faced. The FCC rulings on these issues reclassified Digital Subscriber Line (DSL) service and classified cable modem service as “*information services*” rather than the more regulated “*telecommunications services*.”

As a result, we believe Wisconsin's sales and use tax should no longer apply to DSL service and respectfully request your opinion on whether DSL providers are required to continue collecting sales and use taxes. If you believe that our interpretation is incorrect, please provide the Department's justifications. Thank you for your attention to this important matter.

Sincerely,

Christopher LaRowe
Manager of External Affairs

CC: Gov. Jim Doyle, Sherrie Gates-Hendrix, Tom Ourada and Blair Kruger