



President
DOUGLAS J. WENZLAFF

President Elect
JAMES COSTELLO

Executive Director
WILLIAM ESBECK

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Contact: **Bill Esbeck, Executive Director** or **Chris LaRowe, Manager of External Affairs**

Phone: 608/256-8866 Email: bill.esbeck@wsta.info or clarowe@wsta.info

Taxing Internet Access is Shortsighted

WSTA Supports Assembly Bill 223

MADISON – In advance of a state Assembly public hearing scheduled for Tuesday, December 18, 2007, the Wisconsin State Telecommunications Association (WSTA) announces its support for Assembly Bill 223. This important legislation seeks to exclude Internet access services from the definition of telecommunications services for sales and use tax purposes. “On behalf of Internet Service Providers (ISPs) from across Wisconsin, we would like to express our sincere appreciation to Rep. Rich Zipperer (R-Pewaukee) for introducing Assembly Bill 223, which is designed to end Wisconsin’s collection of this tax,” said Bill Esbeck, WSTA Executive Director.

“A regressive sales tax on Internet access is another nickel and dime, piling on Wisconsin’s high tax reputation. An Internet access sales tax also 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),” Esbeck continued.

In late 2004, President Bush signed legislation that reauthorized a prohibition on the collection of state sales taxes for Internet access services. Wisconsin has been “grandfathered” out of this prohibition because it had imposed a sales tax on Internet services prior to the initial prohibition in 1998. Wisconsin Congressman Jim Sensenbrenner attempted to end this practice by including language to end Wisconsin’s taxation of Internet access services in the Internet Tax Non-discrimination Act (ITNA), which was recently extended another seven years. Unfortunately, the Wisconsin Department of Revenue found and has continued to exploit a technicality in the law and continues to collect this tax, despite clear congressional intent.

States like California, New York and Colorado have specifically exempted Internet access from their sales tax as a proactive step, even with the federal law in place. For a state attempting to attract technology and innovation, Wisconsin's taxation of Internet access services is contradictory and unsustainable. WSTA members have made substantial investments to increase Internet access and affordability, yet they are hamstrung by a tax that:

- Targets providers with investments and a physical presence in Wisconsin;
- Disproportionately affects Wisconsin's low-income residents' Internet access; and
- Discourages companies from creating high-tech jobs in Wisconsin.

According to Esbeck, "the time has come for Wisconsin to realize what Presidents Clinton and Bush, Congress, and almost every other state has already realized: taxing Internet access is shortsighted public policy that creates disincentives for investment and innovation."

WSTA is a Madison-based trade organization representing 70 Wisconsin local telephone companies, 25 of the state's Internet Service Providers (ISPs) and 9 of the state's wireless carriers.