

# **The Digital Goods and Services Tax Fairness Act of 2011**

## **H.R. 1860 & S.971**

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The Digital Goods and Services Tax Fairness Act of 2011, H.R. 1860 and S. 971, were introduced May 12<sup>th</sup>, 2011 and is seeking to establish a national framework for how digital goods and digital services should be taxed for state & local transaction tax purposes to preclude multiple and discriminatory taxes from being imposed on such goods and services.

### **The measure -**

- Clearly identifies which jurisdiction has the right to tax digital transactions, if that is a policy the state chooses, preventing multiple states from taxing the same transaction.
- Precludes discriminatory taxes imposed on other services delivered over communications networks (telecom utility taxes) from being imposed on digital goods and services.
- Provides clarity and certainty for –
  - the consumers purchasing these new innovative services.
  - states and local governments seeking to impose taxes on these new goods and services.
  - the businesses that act as tax collectors on behalf of the states and localities.

### **The measure *does not* –**

- Preclude states from taxing this segment of the new economy under generally applicable taxes (e.g., sales taxes), which in turn provides certainty to state and local governments regarding tax revenues received from digital commerce.

### **Why is a national framework needed?**

- Congress has a clear role to act in tax matters impacting interstate and international commerce – digital commerce is sold over global networks crossing numerous state boundaries.
- States and localities, desperate for new revenue sources, are already eyeing this expanding part of the economy as a source of new tax revenues, without first ensuring that digital goods and services will not be subject to multiple and discriminatory levels of taxation. Failure to establish a national framework will invariably lead to costly and wasteful litigation.
- With a national framework, rules regarding international commerce can be established.

