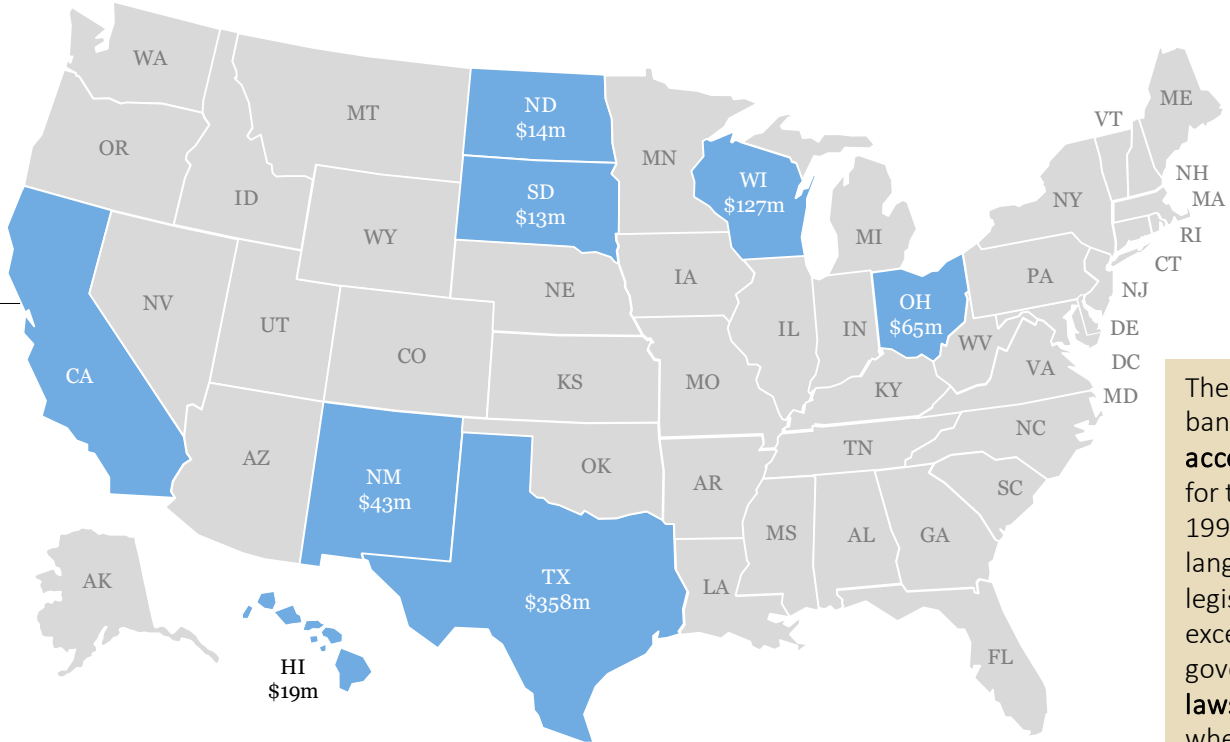


# Congress to Close Internet Tax Ban Exception, Eliminating Hundreds of Millions of Dollars of State and Local Taxes

## Revenue Losses by State, in Millions of Dollars



Although California does not directly tax Internet services at the state level, the League of California Cities estimates that local governments could lose up to **\$500 million** in telecommunications tax revenues

The 1998 Tax Freedom Act banned **taxes on Internet access**, with an exception for taxes imposed prior to 1998. Lawmakers inserted language into customs legislation to close this exception. State and local governments could also face **lawsuits** to determine whether other pre-1998 taxes, such as taxes on fiber-optic cable, are prohibited under these rules

Sources: Mario Trujillo, "Seven States to Lose Millions from Internet Tax Ban," *The Hill*, December 13, 2015; Jeffrey Stupak, "The Internet Tax Freedom Act: In Brief," Congressional Research Service, October 5, 2015; Center on Budget and Policy Priorities. WI, TX, SD, OH are state-provided estimates, ND, NM, HI are CBPP estimates.