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services. (Buying products online, yes, you may have to pay sales tax. But not for your actual Internet service.)

Feb. 16, 2016

Feel free to keep using the Internet without the threat of having to pay taxes on your services. (Buying products online, yes, you may have to pay sales tax. But not for your actual Internet service.)

After almost two decades, Congress has finally passed new legislation permanently extending the tax exemption for online access, as well outlawing taxes on certain digital services and goods. The "Trade Facilitation and Trade Enforcement Act," which includes the Internet tax ban, is awaiting President Obama's signature. Previously, the Internet Freedom Act had temporarily established the tax exemption, with a handful of grandfathered exceptions. It had been renewed several times after each subsequent expiration date.

The ban on taxing Internet services dates back to 1998. The original Internet Freedom Act was authored by Senator Ron Wyden (D-OR) who applauded the latest move in a prepared statement. "Allowing taxes on Internet access would be a very regressive policy," said Wyden on February 11. "Most Americans pay \$0 in taxes to connect to the Internet. And thanks to a bill that passed today, you will never have to pay taxes just to get online, or pay more taxes for goods and services just because they're bought online."

Senator Chuck Grassley (R-IA), another long-time proponent of prohibiting Internet taxes, agreed with Wyden. "Most people agree that Internet access is something we want to encourage," said Grassley. "Whether we use online access for work, education or recreation, we want the access, period. The more affordable Internet service is, the more people who will be able to get online. Making the state and local

tax ban permanent is good news for consumers. It sends the message that a resource

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When the initial ban was passed, more than a dozen states were allowed to continue charging taxes for online access. In the intervening time, many states have voluntarily dropped those taxes from their rolls. Currently, only Hawaii, New Mexico, North Dakota, Ohio, South Dakota, Texas and Wisconsin still imposes taxes on online services. Besides removing the end date on the tax ban, the new law sets June 30, 2020 as the final cutoff for those states still collecting sales tax on online services.

However, another key Internet tax issue remains in limbo. Congress has yet to decide on a measure that would standardize sales taxes for online purchases. Consumers and businesses currently have to contend with a mishmash of rules spanning various jurisdictions. Most states impose sales taxes on online purchases, but actual collection is hit-or-miss.

Although the Senate passed the Marketplace Fairness Act in 2013, it was never voted on in the House. Lobbyists are pushing the nation's lawmakers to move it back to the front-burner. It is expected that both houses of Congress will address the legislation this year.

Sales Tax

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