



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

January 21, 1998

S. 442

Internet Tax Freedom Act

*As ordered reported by the Senate Committee on Commerce, Science, and Transportation
on November 4, 1997*

CBO estimates that enacting S. 442 would result in new discretionary spending of less than \$1 million over the 1998-2003 period, assuming appropriation of the necessary amounts. Because the bill would not affect direct spending, pay-as-you-go procedures would not apply. S. 442 contains no private-sector mandates as defined in the Unfunded Mandates Reform Act of 1995 (UMRA), but it does contain an intergovernmental mandate on state and local governments (see the attached mandates statement).

S. 442 would impose a moratorium on certain state and local taxation of online services, Internet access service, and communications or transactions using the Internet until January 1, 2004. In addition, S. 442 would require the Secretaries of Treasury, Commerce, and State to examine domestic and international taxation of these Internet services and to recommend policies regarding the taxation of such services to the President. Based on information provided by the affected agencies, CBO estimates that these agencies would spend a total of less than \$1 million between 1998 and 2000 to complete the studies required by the bill, assuming appropriation of the necessary amounts.

The CBO staff contact for this estimate is Rachel Forward. This estimate was approved by Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.