



January 29, 2016

Honorable Bernie Sanders
Ranking Member
Committee on the Budget
United States Senate
Washington, DC 20510

Re: Mandates analysis of section 922 of the conference report for H.R. 644

Dear Senator:

As requested by your staff, CBO has estimated the costs to state and local governments of the intergovernmental mandate contained in Section 922 of the conference report for H.R. 644, the Trade Facilitation and Trade Enforcement Act of 2015.

Section 922 would make permanent an existing moratorium on the ability of state and local governments to impose taxes on Internet access or on certain electronic commerce. That prohibition on taxation, which expires on October 1, 2016, under current law, is an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA). Section 922 also would extend the ability of state and local governments that had been collecting such taxes prior to October 1, 1998, to continue collecting such taxes, but only through June 2020. (Those governments are commonly referred to as the grandfathered states.)

Beginning in July 2020, the grandfathered states would lose their ability to collect such taxes, and CBO estimates that the cost of the mandate (falling primarily on those states) would then increase significantly and probably would total more than \$100 million in the final three months of fiscal year 2020 (July through September). The cost of the mandate would total more than several hundred million dollars annually thereafter, CBO estimates. (The threshold established in UMRA for intergovernmental mandates is \$77 million in 2016 and would total \$84 million in 2020, with adjustments for inflation.)

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CBO did not review other provisions of the conference language for intergovernmental or private sector mandates. UMRA requires CBO to review only bills reported from authorizing committees (Section 424 of the Budget Control Act).

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Leo Lex.

Sincerely,

A handwritten signature in black ink, appearing to read "Keith Hall". The signature is stylized and cursive.

Keith Hall

Enclosure

cc: Honorable Mike Enzi
Chairman
Senate Committee on the Budget

Honorable Tom Price, M.D.
Chairman
House Committee on the Budget

Honorable Chris Van Hollen
Ranking Member

Honorable Orrin G. Hatch
Chairman
Senate Committee on Finance

Honorable Ron Wyden
Ranking Member

Honorable Kevin Brady
Chairman
House Committee on Ways and Means

Honorable Sander M. Levin
Ranking Member