

## Memorandum

**To:** Signatories of “Appeal for Fair and Equal Taxation of Electronic Commerce”  
**From:** Charles McLure  
**Date:** January 5, 2000  
**Re:** Update and call to further action

*116 signatures.* We have now obtained 116 signatures. Being a long way from the center of power, I have difficulty judging the impact, but I think it has been — and will be — significant, so much so that I have recently spent a huge amount of time trying to increase the number of signatories. Once we have more signatures — and when the time is ripe, we will send the Appeal to the appropriate members of Congress.

*Links.* I presented the Appeal at the meeting of the ACEC on December 15. In addition, the National Governors’ Association has placed the Appeal, with the initial list of signatories, on its Website (See <http://www.nga.org/internet/equality.asp>) . There is a link to the NGA Site from the NTA Site. We would be delighted if you would arrange for other links to it.

*Publication.* The Appeal (with the list of signatories updated to the extent possible before deadlines for publication) has appeared in two issues of *State Tax Notes*, and I will include it (with the list of 114 names updated to January 3) in an article slated to appear in STN on January 10. Feel free to use it in other outlets. You can get the latest list from me (except that I will be out of the country the week of January 16.)

*Additional signatures.* I would like to get so many signatures, from academic tax specialists throughout the country, that the ACEC, the Congress, the White House, and the press will know beyond a shadow of a doubt that there is no academic support for a permanent exemption. Toward that end, *I urge you to contact all the academic tax specialists you know — your colleagues, your friends, your former professors, your former students, etc. and urge them to sign the Appeal, if they have not.* Just have them send me an e-mail message or fax (650-725-6653) stating their support. The only requirement is that they be tax specialists. I hope to mount a parallel effort by academic tax lawyers.

*Verify/add information.* Please check the way you are listed; I welcome corrections. Since I am the only secretary we have, there may be mistakes. You will see that I followed no obvious system in deciding whether to list only universities or schools within universities. I may revisit that issue and be more systematic. If you wish your affiliation to include more than now, and have not already supplied the relevant information, let me know. Also, *those of you who have held high offices in the federal government (e.g., Assistant Secretary of the Treasury, DAS for Tax Analysis, Member of the Council of Economic Advisers, etc.) please indicate (or check) your title and the dates*, so we can add that information.

*Background on the issue.* Some of those you contact may feel reluctant to sign the Appeal, if they have not studied this issue. I am attaching one of my papers that provides an introduction, as well as my “purist” solution and a challenge to the states to get their house in order. (For a more complete background discussion, see my article in *International Tax and Public Finance*, May 1999.)

*Fallacious arguments.* The first section of the attached paper contains a rebuttal of some fallacious arguments that are commonly heard. Here is one that is not included, but will be added:

*“Not much revenue would be lost.”* Estimates of small revenue losses assume that the sales tax would continue to be collected on sales by Main Street merchants. But what if there were a legislative prohibition of sales taxes (not just use taxes) on electronic commerce? Suppose that a customer in a department store sees an attractive item, steps to a nearby terminal connected to the Internet to order the item, and picks up the purchase at the check-out counter? That is “electronic commerce” under some legislative proposals. Under this scenario there would be no sales tax left, as all purchases would be transacted this way.

Rather staggering implications for the funding of state and local governments and/or state income tax rates.

*Op-ed pieces/Members of Congress.* It would be useful to have op-ed pieces and letters to editors of papers all across the country, as well as letters to your Representatives and Senators. I can get help with a template for these and help identify editorial page editors. I believe that there are three key points: 1) that a permanent exemption of e-commerce would be a horrible mistake, 2) that the states must simplify their systems enough (by making them uniform) that it is not unreasonable to impose an expanded duty to collect use tax on remote commerce, and 3) that although simplification will take time, there is no need for Congress to enact a temporary moratorium (which is fraught with danger), since *Quill* provides a de facto moratorium. I am told that editors like “slash and burn” language.

If you have comments or suggestions, let me know.