

BILL ANALYSIS

Senate Research Center
76R3817 DAK-D

S.B. 341
By: Ogden
Finance
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As Filed

DIGEST

Currently, the United States Congress passed the Internet Tax Freedom Act of 1998 establishing a three-year moratorium on state and local taxes concerning Internet access and multiple or discretionary taxes on electronic commerce, and grandfathered existing state and local taxes currently imposed on the Internet. This bill conforms Texas law with the current federal law by exempting the sale, use, or consumption of certain Internet access service from taxation.

PURPOSE

As proposed, S.B. 341 exempts the sale, use, or consumption of certain Internet access service from taxation.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 151A, Tax Code, by adding Sections 151.00393 and 151.00394, as follows:

Sec. 151.00393. "INTERNET." Defines "Internet."

Sec. 151.00394. "INTERNET ACCESS SERVICE." Defines "Internet access service."

SECTION 2. Amends Section 151.0101(a), Tax Code, to redefine "taxable services."

SECTION 3. Amends Chapter 151C, Tax Code, by adding Section 151.061, as follows:

Sec. 151.061. BUNDLING OF CERTAIN SERVICES. Provides that this section applies to the sale, use, or consumption in this state of a service that bundles on-ramp Internet access service exempt under Section 151.325 with certain taxable services. Establishes that the value of the taxable services is computed according to certain methods the provider may select, subject to Subsection (c). Prohibits the value of exempt Internet on-ramp access service from exceeding \$25 a month. Provides that this section expires September 1, 2002.

SECTION 4. Amends Chapter 151H, Tax Code, by adding Section 151.325, as follows:

Sec. 151.325. ON-RAMP INTERNET ACCESS SERVICE. Exempts the sale, use, or other consumption in this state of Internet access service from taxes imposed by this chapter only under certain conditions. Provides that on-ramp Internet access service does not include certain services. Establishes that a provider of on-ramp Internet access service who maintains that the service is exempted under this section has the burden of demonstrating certain information. Sets forth that the exemption under this section does not apply to the amount by which the value of on-ramp Internet access service exceeds \$25 a month. Provides that this section expires September 1, 2002.

SECTION 5. (a) Effective date: the first day of the first calendar quarter beginning on or after the date that it may take effect under Section 39, Article III, Texas Constitution. (b) Makes application of this Act prospective.

SECTION 6. Emergency clause.