

## **BILL ANALYSIS**

Senate Research Center  
76R9163 DAK-D

C.S.S.B. 341  
By: Ogden  
Finance  
4/16/1999  
Committee Report (Substituted)

### **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, C.S.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 151H, Tax Code, by adding Section 151.325, as follows:

Sec. 151.325. BASIC FEE FOR INTERNET ACCESS SERVICE. Exempts the sale, use, or other consumption in this state of Internet access service from taxes imposed by this chapter in an amount not to exceed the first \$25 of a monthly charge. Provides that the exemption provided by this section applies without regard to whether the Internet access service is bundled with another service, or to the billing period used by the service provider. Provides that the exemption in this section applies to the total sales price the service provider charges for Internet access to a purchaser, without regard to whether the service provider charges one lump-sum amount or separately bills the purchaser for each user.

SECTION 4. (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 5. Emergency clause.

### **SUMMARY OF COMMITTEE CHANGES**

SECTION 1.

Amends Section 151.00394, Tax Code, to redefine "internet access service."

## SECTION 2.

Amends Section 151.0101(a), Tax Code, to redefine the definition of “taxable services.”

## SECTION 3.

Amends SECTION 3 to delete proposed SECTION 3 regarding the bundling of certain services, and redesignates proposed SECTION 4 as SECTION 3.

Amends Section 151.325, Tax Code, to provide a new heading, and provide that the sale, use or other consumption in this state of Internet access service is exempted from the taxes imposed by this chapter in an amount not to exceed the first \$25 of a monthly charge. Provides that the exemption provided by this section applies without regard to whether the Internet access service is bundled with another service, or to the billing period used by the service provider. Provides that the exemption in this section applies to the total sales price the service provider charges for Internet access to a purchaser, without regard to whether the service provider charges one lump-sum amount or separately bills the purchaser for each user. Deletes proposed text providing that on-ramp Internet access service does not include certain services. Deletes proposed text establishing 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. Deletes proposed text setting 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. Deletes proposed text providing that this section expires September 1, 2002.