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July 17, 2014

The Honorable Dianne Feinstein
United States Senate
331 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Barbara Boxer
United States Senate
112 Hart Senate Office Building
Washington, D.C. 20510

RE: Marketplace and Internet Tax Fairness Act (MITFA)

Dear Senator Feinstein and Senator Boxer:

On behalf of the League of California Cities, I urge you to support S. 2609, the Marketplace and Internet Tax Fairness Act (MITFA), which was introduced on July 15 by Senators Enzi, Durbin, Alexander, Heitkamp, Collins, and Pryor. This bipartisan bill restores tax parity to the marketplace, while preserving existing tax authority for state and local government entities across the nation.

We greatly appreciate your past support for S. 743, the Marketplace Fairness Act (MFA), which passed the Senate in May. MITFA, which incorporates language from MFA, is an important step to level the playing field for disadvantaged local retailers who are competing with remote sellers over the Internet. MITFA does not create new taxes, nor does it increase existing taxes, it simply streamlines the process to grant states and localities the authority to enforce existing laws on remote retailers that have otherwise enjoyed a steep competitive advantage.

The California Board of Equalization estimates that \$1.1 billion of use taxes related to remote electronic and mail sales from out-of-state vendors are uncollected (of this total, \$755 million is due the state's General Fund, with the balance owed to local governments). About three-fourths of this gap relates to business-to-consumer sales, with the rest relating to business-to-business sales. Based on use tax collections, there is only about one percent consumer compliance with use tax obligations. This is simply unacceptable, and efforts to remedy the discrepancy are supported by over 280 business, labor, and state and local government organizations.

MITFA would also extend the current Internet Tax Freedom Act (ITFA), which is set to expire on November 1, 2014, for 10 years until 2024.

As you may know, UUTs provide approximately 15% of general purpose revenue in California, which are in turn used to fund critical public services such as police, fire, and emergency response. This revenue is of tremendous importance to municipalities across California, as well as countless others throughout the United States. California

cities are concerned by the erosion of UUT revenues as consumers transition from traditional land lines to broadband-based telecommunications services. By including a clear sunset date, MITFA provides Congress with an opportunity to revisit the policy at a later date.

We are greatly appreciative of your continued leadership on these issues, and we strongly urge you to support MITFA. Should you have any questions or require additional information, please feel free to contact the League's Washington advocate, Leslie Pollner (leslie.pollner@hklaw.com) at (202) 469-5149. We look forward to working with you as we seek to create better legislative alternatives in Congress.

Sincerely,



Daniel Carrigg
Senior Director, Legislative Affairs