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Please join Tom Boggs and Bob Johnson

at a reception celebrating the publication of

The Life and Times of

RON BROWN

A Memoir by His Daughter

TRACEY L. BROWN

on Wednesday, April 1, 1998

6:00 - 8:00 p.m.

The Capital Hilton Hotel

16th and K Streets, Northwest

Washington, D.C.

R.S.V.P. card enclosed

Please respond by March 25

3/19/98

Send to Scheduling

Yes ✓

No ___

R.S.V.P.

Barbara Boggs Associates Inc.
1920 L Street, N.W.
Suite 600
Washington, D.C. 20036

The Life and Times of

RON BROWN

Reception - Wednesday, April 1, 1998

____
Name(s)

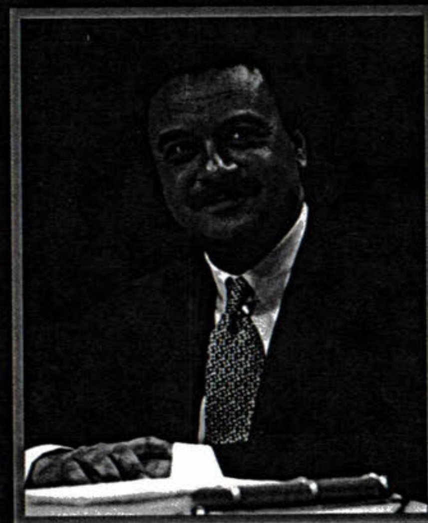
_______I/we will attend the reception

_______I/we will not be able to attend the reception

Cover photograph © Ron Bell

The Life and Times of

RON BROWN



A Memoir by His Daughter

TRACEY L. BROWN

Introduction by

PRESIDENT BILL CLINTON

THE PRESIDENT HAS SEEN
3-20-98

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THE WHITE HOUSE

WASHINGTON

March 19, 1998

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MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
MICKEY IBARRA

RE: INTERNET TAX FREEDOM ACT

Yesterday, the Big Seven group of elected officials and Representative Cox reached agreement on a new version of the Internet Tax Freedom Act. Governor Leavitt and Governor Romer briefed us on their efforts yesterday afternoon. They are having a press conference on their agreement at 1 p.m. While there seems to be a strong bipartisan agreement among Governors, the situation on the Hill and in industry is less clear. Senator Wyden has not been involved in these negotiations, and has not signed off on the current version of the bill. Furthermore, Representative Conyers has jurisdictional concerns with how the bill is designed.

Although we have not had time to study the bill in detail, we believe that it is generally consistent with your position, namely: (1) a short-term moratorium on new taxes on the Internet; and (2) a process for resolving the longer-term issues associated with the taxation of "remote commerce" (e.g. Internet and mail order sales.) While your advisers (NEC, IGA, Legislative Affairs, Treasury, Commerce) think that this represents a strong effort to meet your goals, we still think that it would be a mistake to fully endorse the bill at this point, given the lack of support from Wyden, Conyers, and industry. Therefore, there was agreement to release a statement from you (attached) that calls this an "important and constructive step," praises Romer and Leavitt, but stops short of a full endorsement.

Industry is currently split on the bill. Some of the large computer companies (e.g. IBM) are comfortable with the thrust of the legislation, although they will seek changes. Other companies, such as America Online, are concerned that the current draft "grandfathers" in existing Internet taxes. Direct marketing companies will likely oppose the bill as well, since they have been successful at preventing Congressional consideration of legislation that would overturn the "Quill" decision.

The compromise -- which is substantially different from the earlier version -- has two components:

1. It creates a 3 year moratorium on both taxes on Internet access and taxes that discriminate against electronic commerce.

2. It establishes a 29 member commission that has 2 years to draft legislation that would establish a national framework for state and local taxation of "remote commerce." This framework would include:

- A single statewide sales tax rate -- with distribution to local governments;
- Simplification of sales tax administration and use of technology to collect taxes;
- A definition of "nexus."

The Big 7 organizations would each get to appoint 2 members of the commission, the NGA would appoint the chair, and the other 14 members would be appointed by the Administration and the Congress.

The legislation would then be submitted to the Congress for "expedited consideration."

If the legislation drafted by the commission is passed, states would have 4 years to adopt a single sales tax rate. Otherwise, they would not be allowed to tax "remote commerce." In addition, the moratorium on taxation of Internet access would be made permanent.

<u>You should know that Cox is telling industry that he would probably not support the legislation that this commission will produce</u>. Since the Big 7 will get to nominate 15 of the 29 members -- the commission will almost certainly recommend legislation that will repeal "Quill" and result in increased taxes on mail order and Internet sales. Cox is just arguing that the states and localities should get their "day in court."

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release **March 19, 1998**

STATEMENT BY THE PRESIDENT

In my recent speech on the future of the Internet, I called for a short-term moratorium on new and discriminatory taxes that would slow down the growth of the Internet, and a search for long-term solutions to the tax issues raised by electronic commerce. We cannot allow 30,000 state and local tax jurisdictions to stifle the Internet, but neither can we allow the erosion of the revenue that state and local governments need to fight crime and invest in education.

I believe that the agreement reached by groups representing state and local elected officials is an important and constructive step towards a long-term solution. I particularly want to thank Governors Leavitt and Romer for their bipartisan leadership on this important issue. I look forward to working with all parties with a stake in this issue to enact legislation this year.

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