AMERICAN LEGISLATIVE EXCHANGE COUNCIL ALEC

Exposed

By the Center for Media and Democracy www.prwatch.org

ALEC EXPOSED

"ALEC" has long been a secretive collaboration between Big Business and "conservative" politicians. Behind closed doors, they ghostwrite "model" bills to be introduced in state capitols across the country. This agenda–underwritten by global corporations–includes major tax loopholes for big industries and the super rich, proposals to offshore U.S. jobs and gut minimum wage, and efforts to weaken public health, safety, and environmental protections. Although many of these bills have become law, until now, their origin has been largely unknown. With ALEC EXPOSED, the Center for Media and Democracy hopes more Americans will study the bills to understand the depth and breadth of how big corporations are changing the legal rules and undermining democracy across the nation.

ALEC's Corporate Board

--in recent past or present

- AT&T Services, Inc.
- centerpoint360
- UPS
- Bayer Corporation
- GlaxoSmithKline
- Energy Future Holdings
- Johnson & Johnson
- Coca-Cola Company
- PhRMA
- Kraft Foods, Inc.
- Coca-Cola Co.
- Pfizer Inc.
- Reed Elsevier, Inc.
- DIAGEO
- Peabody Energy
- Intuit, Inc.
- Koch Industries, Inc.
- ExxonMobil
- Verizon
- Reynolds American Inc.
- Wal-Mart Stores, Inc.
- Salt River Project
- Altria Client Services, Inc.
- American Bail Coalition
- State Farm Insurance

For more on these corporations, search at www.SourceWatch.org.

DID YOU KNOW? Corporations VOTED to adopt this. Through ALEC, global companies work as "equals" in "unison" with politicians to write laws to govern your life. Big Business has "a VOICE and a VOTE," according to newly exposed documents. DO YOU?

Did you know that the Evergreen Freedom Foundation--which is connected to the Kochs--was the corporate co-chair in 2011?

Principles of Communications Tax Reform

1. Taxes should be economically neutral and equitable.

A tax is economically neutral, or efficient, if it does not induce taxpayers to change their behavior in response to the tax. In other words, a taxpayer would make the same decision regardless of the tax. A tax narrowly applied to one particular segment of industry would not be neutral if it could induce taxpayers to shift their spending or investment away from the taxed goods or services to other competing untaxed goods or services.

A tax is equitable if the burden if distributed fairly, and consistently applied. If a tax is narrowly focused on one industry, one segment of the industry, or on certain providers with that segment the tax is not equitable.

2. Taxes should be easy to administer and collect.

Regardless of how equitable a tax might be, if it is difficult to collect, administer or comply with, it may not be an effective revenue generator. A tax system must be practical to administer with reasonable compliance costs. Key components of a simplified tax or fee system include: central administration of local taxes, uniform definitions, uniform rules for sourcing a transaction to a state, jurisdictional databases and rules for the treatment of communication service bundles.

3. There should not be multiple taxation.

Some of the newly emerging "information-highway" services could fall prey to multiple taxation from various jurisdictions. For example, one state could treat the customer's service address as the taxable situs, while another state treats the point of origin of the call as the taxable situs, resulting in the same transaction being taxed twice. This could lead to a tax imposed on a tax base that creates even more taxes, e.g., a tax on a tax, and greatly burdens the industry and customers. Products and services provided in e-commerce should not be subject to discriminatory or multiple taxation.

4. Tax reform should be revenue neutral.

It is recognized that any reform of communications taxation should not have adverse fiscal consequences for the taxing states and localities. This will require balancing the reform to ensure the same or similar level of support and may involve a transition period to accomplish. While revenue neutrality should be a goal, it should not be a condition to implementing the principle to remove the discriminatory tax burden on the communications industry.

5. Tax policy should be pro-growth.

The temptation to impose new and increased taxes on the communications and information technology industry must be resisted. Pro-growth tax policies that encourage competition and innovation will reward states and localities with jobs, investment and increased tax revenue. Tax policies should encourage the deployment of traditional and advanced communication infrastructure on a technology neutral basis.

6. Tax reform should move toward taxing communications providers just like any other business.

Because many of the newest innovations sold by the communications industry to consumers consist of consumer entertainment products and services, the taxation of such products and services should be limited to taxes and fees generally imposed on other general business products and services. The communications industry should be taxed in the same manner and at the same level as other commercial and industrial business. Taxes that discriminate against the industry or within the industry should be eliminated.

Statement on Telecommunications Tax Reform

History teaches us that commerce centers around points of origin, destinations, or links between points. Successful economic development requires an infrastructure to support the needs of consumers and businesses locating in an area. Early American cities developed around shipping centers with access to railroads, waterways, or highways.

Today's economy is no different except that the lifeblood of today is not rivers, rails, or roads; instead, it is the ability to transport information through communications networks. Reliable, efficient broadband communications networks hold the key to future economic growth of states and localities.

Cities, states, and regions now debate ways to encourage deployment of advanced telecommunications. But, at the same time, states and their political subdivisions often deal with fiscal restraints by increasing taxes and fees on communications services, property, and providers. State and local governments should rethink their tax structures on telecommunications to make sure they work well in today's economy.

The following principles should guide states in this review:

Economic Neutrality/Equity: A tax should treat similarly situated taxpayers and services in a similar manner. Today's economy can no longer justify imposing higher levels of taxation on segments of an industry or an entire industry so critical to the economy. For example, telecommunications services should be taxed in the same manner regardless of the provider or the media used to deliver the service.

Efficiency: A tax system should be relatively easy for taxpayers to understand and comply with and for tax administrators to support and enforce. State and localities need to work together to encourage uniformity in determining the location in which a transaction occurs and in defining particular services and products.

Economic Development: A tax system should encourage or at least not discourage the location of advanced communication services. Telecommunications infrastructure is the backbone of the current economy and a key component in location decisions of businesses.

Fiscal Stability/Balance: A tax system should raise revenue to provide public

services deemed necessary in the political process. A stable tax system provides sufficient revenues to minimize sudden changes due to changing economic conditions. Such a system also provides taxpayers with greater certainty about the taxes they will have to pay. A balanced tax system avoids concentrating burdens on a few sources. Over reliance on one industry sector can distort economic behavior. An unbalanced system can also decrease the stability of the revenue base, as it is susceptible to the economic fate of the predominant revenue source.

Specific Reforms for State and Local Consideration and State and Local Tax Reform Progress

- Eliminate excess reliance on telecommunications services, providers, and consumers by eliminating discriminatory taxation.
- Support uniformity among the various states in definitions and location determinations for transactions.
- Eliminate multiple taxation of communications services by eliminating the tax on inputs into providing taxable telecommunications services.
- Clarify tax treatment of bundled communications packages by computing tax on only the taxable components of the total charge, consistent with the specific state and local tax policy.
- Eliminate higher assessment, valuation, and tax rates on telecommunications property.
- Simplify state and local taxation of communications by requiring state administration of local taxes and consolidating multiple taxes.

Conclusion

State and local governments have begun the process of reforming the tax treatment of telecommunications services, property, and providers. However there is still much reform needed to eliminate the excess burdens on communications. The principles of tax reform should guide state policy makers to a fairer, simpler, and more balanced tax system.

As adopted in the July 1996 Telecommunications Taxation Reform State Factor Volume 22, Number 3 and amended in the October 1, 1997 Telecommunications Taxation in the States State Factor Volume 223, Number 5. Amended by the Telecommunications & Information Technology Task Force at the Annual Meeting August 9, 2002. Approved by the Board of Directors September 2002. Amended at the Spring Task Force Summit April 20, 2006.

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