

RESOLUTION NO. 21-2000

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MESQUITE, TEXAS, URGING SIMPLIFICATION AND FAIRNESS IN THE APPLICATION OF SALES AND USE TAXES WHEN CREATING LEGISLATION CONCERNING CONSUMER PURCHASES MADE OVER THE INTERNET.

WHEREAS, the use of new communications technologies, including the Internet, as a way to conduct sales of goods and services is accelerating; and

WHEREAS, out-of-state vendors who conduct sales via the Internet, mail order and phone, under many circumstances, are not required by law to collect existing sales and use taxes imposed by state and local governments in which the purchaser resides; and

WHEREAS, the primary barrier to collecting taxes on remote sales is the Supreme Court's ruling in *Quill v. North Dakota* which defers to Congress, and only Congress, to authorize states to require remote vendors to collect taxes in a manner that does not unduly burden interstate commerce; and

WHEREAS, current laws create a competitive disadvantage and great inequities between merchants who sell from traditional "brick-and-mortar" establishments and those who sell from electronic stores; and

WHEREAS, this migration of sales to the Internet is restricting the ability of state and local governments and school districts to collect taxes which finance essential public services including but not limited to police, fire, emergency medical service, education, social services, infrastructure development and local healthcare; and

WHEREAS, the United States Constitution reserves for the states the right to collect and impose taxes; and

WHEREAS, 45 states and the District of Columbia collect over 40 percent of overall revenue from sales taxes to fund vital public services; and

WHEREAS, a recent University of Tennessee study estimates that state sales tax revenue losses due to Internet sales in 2003 will exceed \$10 billion; and

WHEREAS, the City of Mesquite, Texas, receives approximately 36% of its revenue from sales taxes; and

WHEREAS, the Advisory Commission on Electronic Commerce, established by the Internet Tax Freedom Act, failed to address, in a fair and equitable manner, the growing volume of tax-free sales transactions occurring over the Internet, which have put "brick-and-mortar" stores at a competitive disadvantage; and

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WHEREAS, the Internet Tax Freedom Act of 1998 that established a moratorium on sales and use taxes on purchases made through the Internet does not expire until October 2001; and

WHEREAS, the Commission's report to Congress does not effectively address the tax losses state and local governments will experience if the Internet becomes a permanently tax-free retail market.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MESQUITE, TEXAS:

SECTION 1. That the City of Mesquite opposes any congressional action to implement the Advisory Commission on Electronic Commerce's report proposals that would preempt state and local sovereignty, guaranteed by the 10th Amendment of the United States Constitution.

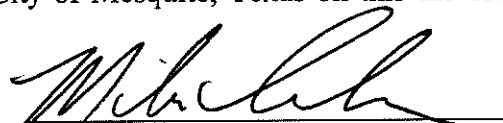
SECTION 2. That the City of Mesquite supports simplification of state and local sales taxes, and urges states to move expeditiously to craft and approve model legislation.

SECTION 3. That the City of Mesquite opposes any congressional efforts to expand the current moratorium to cover state and local sales and use taxes.

SECTION 4. That the City of Mesquite opposes any efforts to extend the current moratorium unless the extension is for two years or less and is directly linked to congressional authorization to states that simplify their sales and use tax system to collect use tax on all remote transactions.

SECTION 5. That this resolution shall take effect from and after its passage.

DULY RESOLVED by the City Council of the City of Mesquite, Texas on this the 1st day of May, 2000.



Mike Anderson
Mayor

ATTEST:

APPROVED:



Ellen Williams
City Secretary



B. J. Smith
City Attorney