



**CITY OF HAYWARD**  
**AGENDA REPORT**

AGENDA DATE 5/02/00  
AGENDA ITEM 5  
WORK SESSION ITEM \_\_\_\_\_

**TO:** Mayor and City Council  
**FROM:** City Manager  
**SUBJECT:** Federal Legislation Extending Moratorium On Internet Taxes

**Recommendation:**

It is recommended that the City Council adopt the attached resolution opposing U.S. Senate Bill 2255, which extends a moratorium on internet taxes.

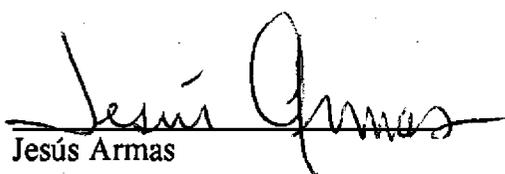
**Background/Discussion:**

As previously discussed with the City Council, legislation has been introduced at both the federal and state level prohibiting the imposition of sales and use taxes on transaction occurring via the internet. At the federal level, Senator John McCain (R-AZ) sponsored legislation that would extend the moratorium on the imposition of sales taxes for an additional five years. The current moratorium is due to expire October 2001, and Senator McCain's Bill (S2255) would extend the expiration date to 2006. Various organizations representing the interests of local governments are urging their members to oppose such legislation and to communicate their views with their Senator and Representatives.

In previous meetings, Councilmember Joe Hilson has briefed the Council on this matter, particularly on the work of the Advisory Commission on Electronic Commerce. Comprised of private and public members, this Commission was charged the task of developing a set of recommendations for consideration by the Congress. Unfortunately, the Commission was unable to develop a consensus and instead submitted a report that reflected primarily the view of its business members. More recently, a coalition of traditional "brick and mortar" businesses has been formed, and it is stressing the importance of establishing a level playing field where sales and use taxes can be equitably applied to all commerce.

In Hayward, sales tax revenue is a significant portion of the City budget, representing about 40% of all general fund income, income used to fund local services - particularly in the area of public safety. Obviously, any erosion of this revenue source will have a dramatic impact on our ability to render services to the public. This experience is not unique to Hayward, but rather is observed in many communities throughout this nation.

The imposition of sales taxes on e-commerce is clearly a complicated issue, the resolution of which requires careful thought and attention. Simply imposing a moratorium is not the solution. It is for this reason that all forms of local government have been urged to express opposition to extending the moratorium, largely for fear that it will result in a permanent ban on the application of sales and use taxes to e-commerce activity. The resolution before you urges the Congress to continue to work on this issue to develop legislation which represents the interests of both industry and government. If the resolution is approved, it will be forwarded to our federal representatives.

  
Jesús Armas

Attachment: Resolution

**DRAFT**

HAYWARD CITY COUNCIL

RESOLUTION NO. \_\_\_\_\_

Introduced by Council Member \_\_\_\_\_

**RESOLUTION OPPOSING UNITED STATES SENATE  
BILL 2255, WHICH EXTENDS A MORATORIUM ON  
INTERNET TAXES**

WHEREAS, the current moratorium on the imposition of sales taxes on internet transactions is due to expire October 2001; and

WHEREAS, United States Senate Bill 2255 would extend the moratorium on the imposition of sales taxes of internet transactions for an additional five years; and

WHEREAS, sales tax revenue is a significant source of income to the City of Hayward used to fund local services and, thus, any erosion of this revenue source would have a significant impact on the citizen of the City of Hayward.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Hayward opposes United States Senate Bill 2255.

IN COUNCIL, HAYWARD, CALIFORNIA \_\_\_\_\_, 2000

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST: \_\_\_\_\_  
City Clerk of the City of Hayward

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney of the City of Hayward