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RE: Opposition to New Fees on Connecticut businesses.

We ask that you not follow Maryland's mistakes and instead **not advance** the digital ads fees as this would:

- Create a new tax that will fall primarily on Connecticut businesses already struggling to survive; and
- Creates a new unconstitutional tax that is already facing legal challenges in Maryland.

When the Maryland State Legislature overrode the Governor's veto the law was nearly immediately challenged in court.

The Maryland legislation was opposed by the Chamber, the Newspapers Association, Broadcasters, and many more.

Although this bill is sold as a tax on "large tech platforms," it is really only a tax felt by Connecticut's struggling businesses. Today, as businesses slowly reopen during the ongoing COVID pandemic, they are turning to online advertisements to reach customers. But this bill will add additional costs to these advertisements—and at a time when businesses are already struggling. That's because, much like any tax imposed on a business, the costs are often pushed down to its customers: in this case, Connecticut small businesses.

In addition to adding new costs on Connecticut businesses, this bill represents a waste of government resources as the state will be forced to fight a losing battle in the courts. Attached to this testimony we share a legal analysis prepared by NetChoice counsel of the same tax, Maryland House Bill 732. This analysis identifies severe legal flaws in HB 732, which will cause the same expensive and wasteful legal proceedings against Connecticut's bill, if enacted.

As detailed in the attached, these new taxes include a facial violation of the federal Internet Tax Freedom Act ("ITFA"), 47 U.S.C. § 151. ITFA explicitly prohibits discriminatory taxes on internet services and transactions. These new taxes facially discriminatory since it imposes this new tax only on digital advertising, and not on other forms of advertising such as billboards, magazines, newspapers, radio, and television.

We ask that you not follow the Maryland Democrats into a new fees on Connecticut businesses and not advance this bill.

Thank you for considering our views and please let us know if we can provide further information.

Sincerely,

Carl Szabo
Vice President & General Counsel
NetChoice¹

¹ The views of NetChoice do not necessarily represent the views of each of its members.