



March 15, 2021

The Honorable John Fonfara, Co-Chair
The Honorable Sean Scanlon, Co-Chair
Joint Committee on Finance, Revenue, and Bonding
Room 3700
Legislative Office Building
Hartford, CT 06106-1591

**RE: SB 821 - AN ACT CONCERNING THE REFORMATION OF CERTAIN TAXES AND TAX EQUITY,
Subdivision D**

Dear Chairs:

Internet Association (“IA”) respectfully opposes **Subdivision D of SB 821 (SUB D)**. The internet industry is strongly opposed to this measure because it would enact a discriminatory tax against a single segment of the advertising market and appears to violate both federal law and the U.S. Constitution. Similar legislation in Maryland is now the subject of a federal lawsuit challenging its legality. Implementing this tax would cause further economic harm to businesses and consumers in a pandemic, and sends a concerning signal to the technology industry about the State’s willingness to foster continued growth in the sector.

IA is the only trade association that exclusively represents leading global internet companies on matters of public policy. Our mission is to foster innovation, promote economic growth, and empower people through the free and open internet. We believe the internet creates unprecedented benefits for society, and as the voice of the world’s leading internet companies, IA works to ensure legislators, consumers, and other stakeholders understand these benefits.

SUB D of this bill only taxes advertisements delivered online (e.g. via a website or app) but does not tax offline equivalent ad services (e.g. print, radio, television). It also punitively imposes a tax solely on larger companies that provide digital advertising services (based on global annual gross revenues).

This flawed approach in **SUB D** likely violates the federal Permanent Internet Tax Freedom Act (PITFA) as well as the U.S. Constitution. PITFA prohibits states from imposing “discriminatory taxes on electronic commerce.” The digital advertising tax proposed by **SUB D** would result in a prohibited discriminatory tax on electronic commerce in violation of PITFA because Connecticut does not also tax service providers of non-digital advertising.



The discriminatory policy targeting digital services in **SUB D** not only jeopardizes future growth in these areas, but also hurts main street businesses in Connecticut that rely on digital advertising to promote their products and services to consumers in a cost-effective way.

Benefits of Digital Advertising Services

The digital advertising ecosystem benefits entities of every type across the entire spectrum of Connecticut's economy. For example, ad publishers like newspapers, small blogs, and small business sites, as well as advertisers such as local small businesses, charitable organizations, and common consumer brands all derive immense benefits from modern online advertising.

The ad-supported business model empowers online creators and allows them to support themselves through their content. Small publishers that make a living by writing their own blogs on everything from cooking to covering community news are supported by modern online advertising. Large publishers and content providers also rely on ad revenue to support their businesses.

By delivering ads to consumers who are most likely to be interested in them, modern online advertising is critical to organizations that want to reach the right audiences in a cost-effective manner. This is especially true as Connecticut faces an unprecedented moment with respect to the future health and safety of its residents and healthcare providers:

- Hospitals, nursing homes and other nonprofits can reach new donors and supporters who are likely to be interested in supporting their cause.
- Public service announcements with valuable health information need to reach as many people as possible.
- Calls to action to keep people in place and slow the spread of the coronavirus are essential right now.
- Businesses that will be directly impacted by prolonged closures due to COVID-19 are likely to require the most affordable means to restart the operations and re-connect with customers.

By allowing these high-value ads to be shown on their sites, publishers of all kinds can stay in business and continue creating content, including local newspapers and special interest blogs. But all these entities would suffer from the increased higher cost of digital ads that **SUB D** would mandate, and of course that would ultimately be passed on to the Connecticut consumer.

For these reasons, IA strongly urges **SUB D** be removed before advancing this legislation. If you



have any questions regarding IA's position on this bill, I can be reached at olsen@internetassociation.org or 518-242-7828.

Very truly yours,

A handwritten signature in black ink, appearing to read 'John Olsen'.

John Olsen
Director, SGA Northeast Region

cc: Members of the Joint Committee on Finance, Revenue, and Bonding