David Turch and Associates

WASHINGTON UPDATE

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CONGRESS PASSES PERMANENT INTERNET TAX FREEDOM ACT

In what can only be described as a blow to the advocacy efforts of the US Conference of Mayors, the National League of Cities and the National Association of Counties, the Senate, this past Thursday, voted 75 to 20 to adopt the Conference Report on the US Customs enforcement bill (H.R. 644), which includes the Permanent Internet Tax Freedom Act (PITFA). The provision permanently bans states and local government entities from imposing a tax on Internet access, ending a 20-year legislative practice of extending the ban on a temporary basis. Under a grandfather clause, PITFA continues to exempt states (Hawaii, New Mexico, North Dakota, Ohio, South Dakota, Texas and Wisconsin) that currently collect taxes for going online, however, that exemption expires on June 30, 2020.

Senate Minority Whip Dick Durbin (D-IL) had been holding up final passage of the Customs Enforcement Conference Report in a gambit to secure passage of the Marketplace Fairness Act (or a similar House measure), which requires retailers to collect sales tax from online customers in all 50 states. Under current law, states may not tax online sales that are generated by a vendor located in another state, even when the buyer is a state resident. Senator Durbin agreed this week to allow a vote on the Customs Enforcement bill only once he secured Senate Majority Leader Mitch McConnell's (R-KY) commitment to schedule a vote on the Marketplace Fairness Act. Brick-and-mortar stores across the country have been pushing for "parity" on the sales tax issue arguing that they operate under a competitive disadvantage since online stores are not required to collect sales taxes from out-of-state residents.

GOP PLAN TO PRIVATIZE AIR TRAFFIC CONTROL CLEARS HOUSE COMMITTEE

The House Transportation and Infrastructure Committee yesterday passed a six-year Federal Aviation Administration (FAA) reauthorization bill, H.R. 4441, the Aviation Innovation, Reform, and Reauthorization (AIRR) Act, which includes Chairman Bill Shuster's proposal to privatize the nation's Air Traffic Control (ATC) system. Chairman Shuster's initiative would essentially transfer 38,000 – or about 80 percent – of the FAA workforce to a nonprofit corporation. The governing board for this new corporation would be made up of aviation industry stakeholders. This new entity would be funded by user fees.

While the GOP plan is highly contentious within the halls of Congress and the White House, with the Obama Administration and congressional Democrats adamantly opposed, the practice is gaining converts abroad with Canada, Great Britain, Germany, Switzerland, New Zealand and Australia all paving the way with privatized air traffic control functions already in place. Shuster is arguing that through privatization, our nation's air traffic control system will continue to be the

safest in the world. Moreover, Shuster and his allies contend that spinning off the ATC function from the FAA will help shield air traffic controllers from the vagaries and dysfunction of the congressional budget process. During Committee markup, Democrats offered an amendment to strip the privatization plan from the bill which was defeated on a party-line vote of 25 to 34. Chairman Shuster's ATC initiative has been endorsed by all major US commercial airlines, except Delta, and the air traffic controllers union.

Other provisions adopted in the FAA reauthorization bill include: a continued in-flight prohibition on the use of cell phone calls; a requirement that airlines refund baggage fees if luggage is overdue by more than 24 hours; a prohibition on the use of electronic cigarettes in aircraft; and a directive to the FAA to move more rapidly in issuing drone regulations. The next step for the FAA bill is a scheduled vote on the House floor where it awaits an uncertain future.

PRESIDENT OBAMA SUBMITS HIS FINAL BUDGET REQUEST TO CONGRESS

This past Tuesday, President Obama submitted his Fiscal Year 2017 $4.1 trillion budget request. Normally, presidents' budget requests are considered "dead on arrival" in Congress. However, this year, in an omen of things to come, GOP congressional leadership called the President's proposal "dead" before it even was submitted to Congress. The respective Republican chairmen of the House and Senate Budget panels announced earlier this week that they would not extend the usual courtesy of inviting the head of the Office and
Management Budget (OMB) to testify on behalf of the President's budget proposal. Democratic congressional leaders are accusing their GOP counterparts of breaking over 40 years of protocol. The breakdown of "comity" so early in the budget process is, by any stretch of the imagination, an inauspicious way to begin the budget debate for FY 2017.

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