

106TH CONGRESS
1ST SESSION

S. 1433

To amend the Internal Revenue Code of 1986 to impose a retail excise tax on merchandise sold via the Internet, through catalogs, or sold other than through local merchants in order to supplement the funding for elementary and secondary school teacher salaries.

IN THE SENATE OF THE UNITED STATES

JULY 26, 1999

Mr. HOLLINGS introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to impose a retail excise tax on merchandise sold via the Internet, through catalogs, or sold other than through local merchants in order to supplement the funding for elementary and secondary school teacher salaries.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Sales Tax Safety Net
5 and Teacher Funding Act”.

1 **SEC. 2. RETAIL EXCISE TAX.**

2 (a) IN GENERAL.—Chapter 31 of the Internal Rev-
3 enue Code of 1986 is amended by adding at the end there-
4 of the following:

5 “SUBCHAPTER D. CERTAIN NONLOCAL SALES
6 OF MERCHANDISE

“Sec.
“4059. Imposition of tax.

7 **“SEC. 4059. IMPOSITION OF TAX.**

8 “(a) IN GENERAL.—There is hereby imposed on the
9 first retail sale of merchandise effected via the Internet,
10 by mail order through a catalog, or by direct sales other
11 than through a local merchant, a tax equal to 5 percent
12 of the price for which so sold.

13 “(b) EXEMPTION.—The tax imposed by subsection
14 (a) does not apply to a sale to a purchaser who is exempt
15 from any State or local sales tax imposed on sales of mer-
16 chandise in the State or locality in which the merchandise
17 is purchased.

18 “(c) CREDIT FOR SALES TAX PAID.—There is al-
19 lowed as a credit against the tax imposed by subsection
20 (a) an amount equal to so much of the State and local
21 sales taxes paid by the purchaser with respect to the pur-
22 chase of the merchandise as does not exceed 5 percent of
23 the price for which the merchandise is sold.

1 “(d) PARTY LIABLE FOR TAX.—The tax imposed by
2 subsection (a) shall be collected by the seller.

3 “(e) DEFINITIONS; SPECIAL RULES.—

4 “(1) FIRST RETAIL SALE.—For purposes of
5 this section, the term ‘first retail sale’ means the
6 first sale, for a purpose other than resale, after
7 manufacture, production, or importation.

8 “(2) PRICE.—In determining price for the pur-
9 pose of subsection (a), there shall be excluded—

10 “(A) the amount of tax imposed by sub-
11 section (a); and

12 “(B) if stated as a separate charge and
13 collected by the seller for remission to the tax-
14 ing authority, or paid separately by the pur-
15 chaser, the amount of any retail sales tax im-
16 posed by any State or political subdivision
17 thereof, or the District of Columbia, whether
18 the liability for such tax imposed on the seller
19 or the purchaser.

20 “(3) CERTAIN CATALOG SALES EXCEPTED.—

21 The tax imposed by subsection (a) does not apply to
22 the first retail sale of merchandise ordered via the
23 Internet, through a catalog, or otherwise if—

1 “(A) the merchandise is physically deliv-
 2 ered to, or picked up by, the customer by a
 3 local merchant; and

4 “(B) the local merchant collects any retail
 5 sales tax applicable to the local retail sale of the
 6 same or similar merchandise sold in that local-
 7 ity.

8 “(4) LOCAL MERCHANT.—For purposes of this
 9 section, the term ‘local merchant’ means a seller (re-
 10 gardless of the form of business organization) that—

11 “(A) does business in the same State as
 12 the purchaser;

13 “(B) is subject to the taxing jurisdiction of
 14 that State; and

15 “(C) has a business location in that State.

16 “(f) REGULATIONS.—The Secretary shall prescribe
 17 such regulations as may be necessary to carry out the pro-
 18 visions of this section.”.

19 (b) CONFORMING AMENDMENT.—The subchapter
 20 analysis for chapter 31 of such Code is amended by adding
 21 at the end thereof the following:

 “D. Certain nonlocal sales of merchandise.”.

22 **SEC. 3. SALES TAX SAFETY NET TRUST FUND.**

23 (a) IN GENERAL.—Chapter 98 of the Internal Rev-
 24 enue Code of 1986 is amended by inserting after section
 25 9510 the following:

1 **“SEC. 9511. SALES TAX SAFETY NET TRUST FUND.**

2 “(a) CREATION OF TRUST FUND.—There is estab-
3 lished in the Treasury of the United States a trust fund
4 to be known as the ‘Sales Tax Safety Net Trust Fund’,
5 consisting of such amounts as may be appropriated or
6 credited pursuant to subsection (b).

7 “(b) TRANSFER TO SALES TAX SAFETY NET TRUST
8 FUND AMOUNTS EQUIVALENT TO CERTAIN TAXES.—
9 There are hereby appropriated to the Sales Tax Safety
10 Net Trust Fund amounts equivalent to 100 percent of the
11 taxes received in the Treasury after December 31, 1999,
12 under section 4059 (relating to tax on certain nonlocal
13 sales of merchandise).

14 “(c) EXPENDITURES FROM SALES TAX SAFETY NET
15 TRUST FUND.—Amounts in the Sales Tax Safety Net
16 Trust Fund shall be available for making expenditures to
17 carry out the provisions of section 4 of the Sales Tax Safe-
18 ty Net and Teacher Funding Act.”.

19 (b) CONFORMING AMENDMENT.—The chapter anal-
20 ysis for chapter 98 is amended by inserting after the item
21 relating to section 9510 the following:

“9511. Sales tax safety net trust fund.”.

22 **SEC. 4. PROVISION OF ASSISTANCE TO STATES FOR TEACH-**
23 **ER SALARIES.**

24 (a) GRANTS AUTHORIZED.—The Secretary of the
25 Treasury shall award a grant for each fiscal year to each

1 of the 50 States, the District of Columbia, and the Com-
2 monwealth of Puerto Rico to be used to supplement State
3 and local funding for compensation and benefits payable
4 to elementary and secondary school teachers. If a State
5 establishes to the satisfaction of the Secretary of Edu-
6 cation that the compensation and benefits payable to ele-
7 mentary and secondary school teachers in the State ex-
8 ceeds the average compensation and benefits paid to such
9 teachers in the United States, then the State may request,
10 and the Secretary may grant, authority to use amounts
11 received under this subsection for other educational pur-
12 poses approved by the Secretary of Education.

13 (b) ALLOCATION OF FUNDS.—From amounts appro-
14 priated pursuant to subsection (b), the Secretary shall al-
15 locate to each of the 50 States, the District of Columbia,
16 and the Commonwealth of Puerto Rico as follows, except
17 that no State shall receive less than $\frac{1}{2}$ of 1 percent of
18 such amount:

19 (1) POPULATION.—50 percent shall be allocated
20 among such jurisdictions on the basis of their rel-
21 ative populations of individuals aged 5 through 17,
22 as determined by the Secretary on the basis of the
23 most recent satisfactory data.

24 (2) POVERTY.—50 percent shall be allocated
25 among such jurisdictions in accordance with the rel-

1 ative amounts such jurisdictions received under part
2 A of title I of the Elementary and Secondary Edu-
3 cation Act of 1965 for the preceding fiscal year.

4 (c) STATE MAINTENANCE OF EFFORT REQUIRE-
5 MENT.—The amount of any grant allocable to a jurisdic-
6 tion eligible under subsection (b) for any fiscal year after
7 the first year in which it receives such a grant shall be
8 reduced by any amount determined by the Secretary, after
9 consultation with the Secretary of Education, to represent
10 a reduction in that jurisdiction’s level of effort to fund
11 compensation and benefits for elementary and secondary
12 school teachers, unless the Secretary, after such consulta-
13 tion, finds that—

14 (1) the reduction in effort was justifiable;

15 (2) the reduction in effort did not reflect an off-
16 set of amounts made available under this Act; or

17 (3) the reduction would be so detrimental to the
18 quality of education and related services provided in
19 that jurisdiction to elementary and secondary school
20 students as to be unwarranted.

21 (d) DEFINITION OF ELEMENTARY AND SECONDARY
22 SCHOOLS.—The terms “elementary schools” and “sec-
23 ondary schools” have the same meanings given those
24 terms in paragraphs (14) and (25), respectively, of section

1 14101 of the Elementary and Secondary Education Act
2 of 1965 (20 U.S.C. 8801).

3 (e) EXPENDITURE AUTHORITY.—

4 (1) APPROPRIATIONS FROM TRUST FUND.—

5 There are authorized to be appropriated from the
6 Sales Tax Safety Net Trust Fund, established pur-
7 suant to section 9511 of the Internal Revenue Code
8 of 1986, such funds as may be necessary to fund—

9 (A) the grants authorized by section
10 (a)(1); and

11 (B) such expenditures as may be necessary
12 to administer the programs established by this
13 section.

14 (2) LIMITATION.—No amount may be appro-
15 priated under paragraph (1) for a fiscal year for
16 grants under subsection (a) that in the aggregate ex-
17 ceed 100 percent of the trust fund receipts credited
18 to the Sales Tax Safety Net Trust Fund with re-
19 spect to the preceding fiscal year.

20 **SEC. 5. EFFECTIVE DATE.**

21 The amendments made by this Act apply with respect
22 to sales occurring more than 90 days after the date of
23 enactment of this Act.

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