



**WRITTEN COMMENTS OF THE NEW ENGLAND CONNECTIVITY &
TELECOMMUNICATIONS ASSOCIATION, INC. REGARDING ARTICLE 5,
SECTION 17 of HOUSE BILL No. 5076**

February 26, 2025

Dear Chair Abney and distinguished Members of the House Finance Committee,

On behalf of the New England Connectivity and Telecommunications Association (NECTA), I appreciate the opportunity to submit testimony in opposition to Section 17 of House Bill No. 5076, (the FY2026 Appropriations Act) that would establish a digital advertising tax. Taxes on advertising, especially digital advertising, disproportionately burden small and medium sized businesses that rely on multiple mediums to reach their customers such as digital platforms and traditional media, like cable television. Moreover, the proposed digital advertising taxes contain significant legal infirmities that will lead to years-long litigation, which creates uncertainty for all stakeholders.

I. Digital Advertising Taxes Would Harm the Rhode Island Economy and Small Businesses

If enacted, the digital advertising tax would inhibit the growth of small and medium sized businesses that rely upon digital platforms as their engine for growth. While, on its face, the proposal appears to levy this tax on large sellers of digital advertising services, the economic impact would fall on restaurants, coffee shops, hardware stores, bakeries, and other Rhode Island small businesses, many of which are still recovering from the pandemic and recent inflation and that have no other realistic advertising mechanism to broadcast their products and services.

II. Flawed Taxes – Prolonged Litigation and Uncertain Revenue

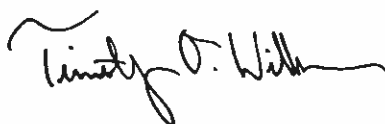
Additionally, there are fundamental legal problems with a digital advertising tax. Primarily, the bills violate the federal Internet Tax Freedom Act (47 U.S.C. § 151, note) and the Supremacy Clause of the U.S. Constitution. Congress enacted the Internet Tax Freedom Act in 1998 when it anticipated that a state may seek to single out and tax electronic commerce while not taxing similar offline activity or imposing a targeted tax on “Internet unique” services. This proposal to tax digital advertising services violates the Internet Tax Freedom Act because the tax proposals

only apply to electronic commerce and not traditional forms of advertising (e.g., billboards, flyers, and print media). Thus, the tax proposals illegally discriminate against electronic commerce.

Lastly, if Rhode Island were to pass a digital advertising tax, it would be only the second state in the country to do so. Thus, the prospect exists for lengthy and expensive litigation on the matter, creating uncertainty with the legality of the tax and the viability of the revenue stream such a tax could generate. Maryland, which enacted a tax on digital advertising in 2021, is still embroiled in litigation.

Accordingly, for the reasons detailed in this testimony, NECTA respectfully asks the Committee to strike section 17 from the bill. Please do not hesitate to reach out with any questions.

Sincerely,



Timothy O. Wilkerson
President

About NECTA

NECTA is a five-state regional trade association representing substantially all private cable broadband providers in Rhode Island, Connecticut, Massachusetts, New Hampshire, and Vermont. In Rhode Island, NECTA represents Cox Communications. Cox produces an estimated \$850 million annually in economic activity in the state and employs over 700 Rhode Island residents generating over \$57 million in wage and salary payments. In the past five years alone, Cox invested over \$160 million in capital investments to infrastructure in Rhode Island and recently announced an additional investment of more than \$120 million to deliver multi-Gigabit symmetrical speeds over high-speed broadband connections throughout the state. This investment includes more than \$20 million towards 100% fiber-optic buildouts directly to 35,000 locations in the communities on Aquidneck Island.