

Neotrope Hosting Gives ‘The Boot’ to Texas – Recommends Companies Leave the Lone Star State Alone

TORRANCE, CA (SEND2PRESS NEWSWIRE) – Neotrope Hosting (www.neotrope.com) today announced it will be moving all of its Web server hardware out of the co-location facilities located within the state of Texas, and specifically, Dallas County, due to an alleged “extortion tax” on companies who co-locate computer equipment with hosting facilities in that state, after receiving a “property tax” bill for 2005 which amounts to 8% of the value of the hardware simply for the pleasure of the machine sitting in a rack in Dallas County.

“It’s astounding to me that the State of Texas, along with Dallas County consider it appropriate to levy a property tax on companies from other states with computers sitting in a co-location datacenter, where that facility already pays property taxes and license fees locally,” said Neotrope(R) president Christopher Simmons. “I got a bill today for what amounts to \$175 per machine, where the current value of the machine is certainly no more than \$2300, and their basis for levying a tax is \$5,000. A machine purchased new in early 2004 for \$3200 is certainly not worth that amount two years later, and certainly not \$5,000. The Dallas tax assessors apparently decided – without prior consultation or inquiry into the ‘actual’ equipment – that the value of our machine is \$5,000 and then sent us a bill for property tax based on some averaged amount.”

Neotrope has offered Web hosting since 1996, and has never paid property tax for co-location of a machine in any other state in the U.S. Neotrope began to phase out its Web hosting for small business operations in 2005 and is migrating to only using hardware for its own Web-based companies, and no longer offering hosting of any kind.

“We did get a green piece of paper in the mail, which claimed to be a ‘tax bill’ from the Dallas Central Appraisal District last fall,” continued Simmons, “but this had the appearance of just another faux ‘scam’ invoice like those we get every month from organizations trying to ‘phish’ us based on our trademarks, domain names, DBAs, or other public business license records. In fact, the query from the Dallas assessors was so fraudulent in appearance, that the first letter sent to our datacenter about the tax issue was ignored for this same reason, and they had to send our datacenter a second letter to get a response.”

Because the initial “tax bill” sent was not paid, the item was then turned over to the Dallas tax authority’s Assessor-Collector, who issued a “Notice of Delinquent Taxes” in February of this year, and began to charge 11.49% interest and penalties on top of the original incorrectly calculated “property tax” amount, alleges Simmons.

“It amazes me that these people seemingly made no effort to require our

datacenter to send us a formal note that taxes would be levied on our equipment, or that such a tax law existed or had been enacted, and then just starts sending folks tax bills out of the blue," added Simmons. "Especially considering we paid sales tax on the original machine, then shipping costs to have it shipped into Texas, where the shipper had to buy fuel in that state, and then we're paying monthly fees to the datacenter; and presumably the building where our machine lives has property tax, and the datacenter is paying other local taxes if not income tax."

"Now that we're moving our equipment out of their unfriendly locale, all they have done, in effect, is hurt their local businesses by dinging us for a 'property tax.' I guess if I loan a friend a DVD player and ship it to Texas, I'll have to pay so-called property tax on that. I guess Netflix(R) will soon have to pay taxes on DVDs which sit at somebody's house in Texas. Where will this end? We have lots of other options, and Texas won't be seeing any more tax money from us in this form after 2006."

"And, of course, since they now consider the tax to be delinquent, it could adversely impact our credit rating if we don't pay their tax bill, which amounts to a form of blackmail in my mind," said Simmons. In speaking with a representative of the Dallas Central Appraisal District, the representative advised "I'd pay the taxes before any more penalties accrue."

Simmons is encouraging all companies with Web servers co-located in the State of Texas to move them to a more "tax friendly" state without such "property taxation" for the pleasure of doing business there. "As far as I'm concerned we will never do business in Texas in any capacity, in counties where they levy these kinds of 'double-taxes' on companies."

He concluded, "I feel bad for the wonderful co-location companies we've done business with in the past located in the unfriendly tax zone in Dallas, but this tax would equal \$450 over three years, at a minimum, which is outrageous by any measure. We're giving Texas the boot."

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