

FINAL BILL REPORT

SHB 2031

C 179 L 02

Synopsis as Enacted

Brief Description: Limiting the taxation of payphone services.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Cairnes, Crouse, Poulsen, Morris, Reardon, Delvin and Barlean).

House Committee on Finance

Senate Committee on Economic Development & Telecommunications

Senate Committee on Ways & Means

Background:

Cities and towns may impose gross receipts taxes on businesses. Rates for utility businesses are generally much higher than rates for other businesses such as retailers. Utility rates cannot exceed 6 percent without voter approval. Rates for retailers cannot exceed 0.2 percent without voter approval. The rate of tax applicable to telephone services depends on whether the services are network telephone services or competitive telephone services. The higher utility tax rates apply to network telephone services. The lower retailer rates apply to competitive telephone services. Coin telephone services are expressly included in the statutory definition of network telephone service and are therefore subject to utility tax rates.

Summary:

If a city or town imposes gross receipts taxes on payphone services, the tax must be at the same rate as applies to retailers. Payphone service is defined as service provided on a fee-per-call basis, whether the telephone is coin-operated or is activated by calling collect or using a calling card.

Votes on Final Passage:

House 98 0

Senate 42 5

Effective: July 1, 2002