
**Technology, Energy &
Communications Committee**

HB 2631

Brief Description: Providing a telecommunications or internet service tax exemption.

Sponsors: Representatives Kilmer, Sump, B. Sullivan, Haler, Nixon and Dunn.

Brief Summary of Bill

- Provides tax incentives for tangible personal property, machinery, or equipment used to support the sale of telecommunications services or internet access services.

Hearing Date: 1/19/06

Staff: Kara Durbin (786-7133).

Background:

Retail Sale Tax:

The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. The tax is levied at a 6.5 percent rate by the state. Cities and counties may levy a local tax at a rate up to a maximum of 3.1 percent. Currently, local rates levied range from 0.5 percent to 2.4 percent. Sales tax is paid by the purchaser and collected by the seller.

Summary of Bill:

A retail sales tax exemption is created for tangible personal property used in receiving, amplifying, processing, transmitting, or switching of telecommunications services for sale or internet access services for sale, including tangible personal property used to upgrade systems that provide telecommunications or internet access services.

A sales tax exemption is also created for machinery, equipment, and other tangible personal property used in a data or call center that supports the sale of telecommunications or internet services to customers.

The Joint Legislative Audit and Review Committee (JLARC), in cooperation with the Department of Revenue, shall report on the effectiveness of the tax incentives to the Legislature by December 1, 2007.

These tax exemptions on retail sales tax expire June 30, 2013.

Appropriation: None.

Fiscal Note: Requested on 1/16/06.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.