

FINAL BILL REPORT

SSB 5763

C 304 L 97

Synopsis as Enacted

Brief Description: Prohibiting the taxation of internet service providers as network telephone service providers.

Sponsors: Senate Committee on Energy & Utilities (originally sponsored by Senators Finkbeiner, Brown, Rossi, McAuliffe, Roach, Kohl, Jacobsen, Hochstatter, Haugen, Goings and West).

Senate Committee on Energy & Utilities

House Committee on Energy & Utilities

House Committee on Finance

Background: The Internet— is the term used to describe the worldwide network of connected computer networks. Usage of the Internet continues to experience rapid growth.

Some companies provide access to the Internet as a specific line of business or as their main business product. There is some speculation that because these companies connect customers to the more extensive computer network through telephone lines, it could be interpreted that they provide network telephone service.— In the context of being considered a utility, network telephone service is subject to city privilege taxes.

Summary: Until July 1, 1999, cities and towns may not impose any new taxes or fees specific to Internet service providers, but may tax Internet service providers under generally applicable business taxes at a rate not to exceed the rate applied to a general service classification.

The provision of Internet services is classified as a selected business service activity for the purposes of applying the business and occupation tax. If that section of law is repealed, then the provision of Internet services will be placed under the general service business and occupation tax classification.

Existing statutes are clarified to indicate that the provision of Internet services does not constitute network telephone service.

Votes on Final Passage:

Senate	49	0	
House	97	1	(House amended)
Senate	44	0	(Senate concurred)

Effective: May 9, 1997