

# HOUSE BILL REPORT

## HB 1239

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**As Reported by House Committee On:**  
Technology, Telecommunications & Energy

**Title:** An act relating to providing incentives for the deployment of telecommunications services in rural areas.

**Brief Description:** Encouraging the development of advanced telecommunications services in rural areas.

**Sponsors:** Representatives DeBolt, Reardon, Bush, Crouse, Wood, Schoesler, Casada, Linville, Anderson, Santos, Grant, Hatfield, B. Chandler, Kessler, Keiser, O'Brien, Kagi and Haigh.

**Brief History:**

**Committee Activity:**

Technology, Telecommunications & Energy: 2/7/01, 2/26/01 [DPS].

**Brief Summary of Substitute Bill**

- Provides sales, use, business and occupation, and property tax exemptions for telecommunications equipment and facilities that provide advanced telecommunications services in rural areas.

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### HOUSE COMMITTEE ON TECHNOLOGY, TELECOMMUNICATIONS & ENERGY

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 18 members: Representatives Crouse, Republican Co-Chair; Poulsen, Democratic Co-Chair; Casada, Republican Vice Chair; Ruderman, Democratic Vice Chair; Anderson, Berkey, Bush, B. Chandler, DeBolt, Delvin, Esser, Hunt, Linville, Mielke, Pflug, Reardon, Simpson and Wood.

**Minority Report:** Do not pass. Signed by 2 members: Representatives Cooper and Morris.

**Staff:** Bob Longman (786-7139).

**Background:**

Sales tax is imposed on retail sales of most items of tangible personal property and some services, including construction and repair services. Use tax is imposed on the use of an item in Washington when the acquisition of the item has not been subject to sales tax, such as items acquired from out-of-state and items produced by the person using the item. Sales and use taxes are imposed by the state, counties and cities. Sales and use tax rates vary between 7 and 8.6 percent, depending on location.

The state B&O is levied for the privilege of doing business in Washington. The tax is imposed on the gross receipts from all business activities conducted within the state.

All real and personal property is subject to property tax each year based on its value, unless a specific exemption is provided by law. There are two classes of property. Real property consists of land and the buildings, structures and improvements that are affixed to the land. Personal property consists of all other property.

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### **Summary of Substitute Bill:**

Sales and use tax exemptions are created for acquisitions by telecommunications companies of machinery and equipment and for services in respect to constructing, repairing and improving telecommunications structures and facilities. The exemptions apply only if the structure, machinery, equipment or facility is used for advanced telecommunications services in rural areas. Rural areas are defined as areas outside first class cities and areas outside of a corridor three miles on either side of Interstate 5 in Snohomish, King, and Pierce counties.

A B&O tax credit is created, equal to 50 percent of the costs of constructing structures or acquiring equipment that is eligible for sales and use exemptions under this legislation. The credit may not exceed the taxpayers B&O liability and may not be carried forward to future years.

A telecommunications company taking these sales and use exemptions and B&O credits must keep records to verify eligibility and provide the seller with an exemption certificate.

These sales and use exemptions and B&O credits exemptions expire January 1, 2008.

Personal property that is eligible for sales and use tax exemption under this legislation is also exempt from property tax. This exemption is for taxes collected in years 2002 through 2008.

### **Substitute Bill Compared to Original Bill:**

The substitute clarifies that competitive telecommunications companies, wireless companies and cable television companies are eligible for the tax incentives.

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**Appropriation:** None.

**Fiscal Note:** Available..

**Effective Date of Substitute Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** These tax incentives will make it easier to expand service in under served rural communities by encouraging investments that would otherwise be cost-prohibitive. High speed broadband internet access will spread more rapidly. Rural communities will be able to participate in economic growth as boundaries disappear.

**Testimony Against:** None.

**Testified:** (In support) Terry Vann, J.P. Kent, Steve Appelo, Bruce Russell; and Gail Long of Washington Independent Telephone Association.

(In support with amendments) Collins Sprague, Avista Corporation; Cliff Webster, Verizon Wireless; and Ron Main, Broadband Communications Association of Washington.