

FINAL BILL REPORT

HB 2639

C 181 L 02

Synopsis as Enacted

Brief Description: Continuing a moratorium that prohibits a city or town from imposing a specific fee or tax on an internet service provider.

Sponsors: By Representatives Ruderman, Crouse, Bush, Nixon, Casada, Carrell, Anderson, Hunt, Van Luven, Talcott, Benson, Murray, Miloscia and Esser.

House Committee on Finance

Senate Committee on Economic Development & Telecommunications

Background:

The Internet is an international network that interconnects computers ranging from simple personal computers to sophisticated mainframes. Internet users can access or provide a wide variety of information, purchase goods and services, and communicate with other users electronically. Internet access and on-line service providers generally charge their customers subscription or usage fees.

The Business and Occupation (B & O) tax is Washington's major business tax. This tax is imposed on the gross receipts of business activities. Charges for Internet service are subject to B&O tax at the general service rate of 1.5 percent.

Cities and towns may impose gross receipt 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 other businesses cannot exceed 0.2 percent without voter approval. Some higher rates that were in effect before 1982 are still allowed.

In 1997 the Legislature prohibited cities and towns from imposing any new taxes or fees specific to Internet Service Providers (ISPs) until July 1, 1999. In 1999 the Legislature extended this prohibition until July 1, 2002. Cities and towns may tax ISPs under generally applicable business taxes at a rate not to exceed the rate applied to a general service classification.

Summary:

The prohibition on new taxes and fees specific to ISPs is extended from July 1, 2002, to July 1, 2004.

Votes on Final Passage:

House 94 0

Senate 48 0

Effective: June 13, 2002