

# SENATE BILL REPORT

## SHB 2031

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As Reported By Senate Committee On:  
Economic Development & Telecommunications, February 26, 2002  
Ways & Means, March 4, 2002

**Title:** An act relating to limiting the taxation of payphone services.

**Brief Description:** Limiting the taxation of payphone services.

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

**Brief History:**

**Committee Activity:** Economic Development & Telecommunications: 2/22/02, 2/26/02[DP-WM].

Ways & Means: 3/1/02, 3/4/02 [DP].

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### SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TELECOMMUNICATIONS

**Majority Report:** Do pass and be referred to Committee on Ways & Means.

Signed by Senators T. Sheldon, Chair; B. Sheldon, Vice Chair; Finkbeiner, McCaslin, Rossi and Stevens.

**Staff:** William Bridges (786-7424)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Brown, Chair; Regala, Vice Chair; Fairley, Vice Chair; Fraser, Hewitt, Honeyford, Long, Parlette, Rasmussen, Roach, Rossi, Sheahan, B. Sheldon, Snyder, Spanel, Thibaudeau, Winsley and Zarelli.

**Staff:** Terry Wilson (786-7433)

**Background:** Cities and towns may impose gross receipts taxes on retailers and utilities. The tax rate for retailers cannot exceed 0.2 percent without voter approval. The tax rate for utilities cannot exceed 6 percent without voter approval.

A telecommunications service that is not regulated by the Washington Utilities and Transportation Commission is generally taxed at the retail rate. A regulated telecommunications service is generally taxed at the utility rate. Pay phones are also taxed at the utility rate.

**Summary of Bill:** If a city or town imposes a gross receipts tax on payphone services, the services must be taxed at the same rate as retailers. "Payphone service" is defined as follows: (1) a telephone service provided to the public on a fee-per-call basis, independent of any other commercial transaction, by use of a phone that can only be activated by using coins, a calling card, a credit card, or by dialing a toll-free number; and (2) the provider of the service owns or leases the telephone equipment and has no affiliation with the owner of the telephone line.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect July 1, 2002.

**Testimony For (Economic Development & Telecommunications):** Payphones are no longer exclusively owned by the big telephone companies. Many payphones are owned by small, independent businesses. Many independently owned payphones are in low-income areas where customers rely on them for convenience and for emergencies. Small, independent companies cannot afford high excise taxes on their payphones.

**Testimony Against (Economic Development & Telecommunications):** None.

**Testified (Economic Development & Telecommunications):** Representative Jack Cairnes, prime sponsor.

**Testimony For (Ways & Means):** The tax law dates back to 1938 when pay phone service was provided by regulated utilities. In the 1980's, pay phone service became competitive and unregulated but the taxes did not change. This puts the tax in line with competitive telephone service and helps keep pay phones on the market. Public utility pay phones are not affected by the bill.

**Testimony Against (Ways & Means):** None.

**Testified (Ways & Means):** PRO: Todd Mielke, Public Communications Council.