

SENATE BILL REPORT

SB 5620

As Reported By Senate Committee On:
Economic Development & Telecommunications, February 20, 2001

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: Senators T. Sheldon, Sheahan, McCaslin, Stevens and Rasmussen.

Brief History:

Committee Activity: Economic Development & Telecommunications: 2/12/01, 2/20/01 [DPS-WM].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TELECOMMUNICATIONS

Majority Report: That Substitute Senate Bill No. 5620 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

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

Staff: William Bridges (786-7424)

Background: Advanced telecommunications services provide faster digital information transmission rates than ordinary telephone voice circuits. According to a recent report by the U.S. Departments of Commerce and Agriculture, advanced telecommunications services will become essential to the future development of economic opportunities in rural America.

The U.S. Department of Agriculture is implementing a \$100 million, one-year pilot program to finance the construction and installation of advanced telecommunications services in rural America. This program provides loan funds, on an expedited basis, to communities up to 20,000 inhabitants.

Summary of Substitute Bill: A sales and use tax exemption, business and occupation (B&O) tax credit, and personal property tax exemption are created for machinery, equipment, services, and property that are used by telecommunications companies to deploy advanced telecommunications services to rural areas. Rural areas are both outside first class cities and outside of a corridor three miles on either side of Interstate 5 in Snohomish, King, and Pierce counties.

Sales and Use Tax. Exemptions for machinery, equipment and services, including the construction and improvement of structures are created.

B&O Tax. A tax credit for 50 percent of the cost of eligible machinery, equipment, and services is created. The credit may not exceed the taxpayer's B&O liability and may not be carried forward to future years.

Personal Property Tax. An exemption for taxes collected in years 2002 through 2008 on eligible property such as machinery and equipment is created.

The sales and use exemptions and B&O credit expire January 1, 2008. The personal property tax exemption expires January 1, 2009.

Substitute Bill Compared to Original Bill: It is clarified that only nongovernmental entities providing telecommunications, cable television, or radio communications services are eligible for the tax incentives.

Appropriation: None.

Fiscal Note: Requested on January 29, 2001.

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

Testimony For: The bill will provide incentives for private companies to bridge the gap in the availability of advanced services in urban and rural areas. Rural communities need advanced services to attract companies. The bill does not favor one technology over others. Other states have these incentives. The bill should include port districts. The wireless industry supports the bill but wants to bring attention to moratoria that are impeding deployment of wireless services throughout the state.

Testimony Against: None.

Testified: Laura Altschul, VoiceStream (pro); Steve Appelo, Wahkiakum West (pro); Vic Kucera, AT (pro); Steve Gano, Cingular Wireless (pro); Ron Newbry, Wash. Econ. Dev. Assn (pro); Bruce Russell, Rainier Group (pro); Fred Saeger, Wash. Assn of County Officials (pro); Scott Taylor, Wash. Public Ports Assn (pro); Terry Vann, Wash. Indep. Tel. Assn (pro).