

# SENATE BILL REPORT

## SB 6497

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As Passed Senate, February 15, 2002

**Title:** An act relating to extending the prohibition on taxes or fees specific to internet service providers.

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

**Sponsors:** Senators T. Sheldon, Finkbeiner, B. Sheldon, Rossi and Poulsen.

**Brief History:**

**Committee Activity:** Economic Development & Telecommunications: 1/29/02, 2/1/02 [DP].

Passed Senate: 2/15/02, 44-2.

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### SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TELECOMMUNICATIONS

**Majority Report:** Do pass.

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

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

**Background:** Internet service providers, or ISPs, provide their customers access to the Internet. In 1997, the Legislature prohibited cities and towns from imposing any new taxes or fees on ISPs. The Legislature did permit, however, cities and towns to levy a business tax on ISPs if the rate did not exceed the rate applied to a general service classification.

The state prohibition on new ISP taxes was originally set to expire in July 1999, but it was extended in 1999 to July 1, 2002.

In 1998, Congress prohibited state and local governments from imposing any new taxes on Internet access or other multiple or discriminatory taxes on electronic commerce. The prohibition was originally set to expire in October 2001, but was recently extended to November 1, 2003.

**Summary of Bill:** The prohibition on a city or town imposing any new taxes or fees on Internet service providers is extended until July 1, 2004.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** The bill does not preclude cities from imposing general business or B&O taxes on ISPs. Nor does the bill change the present taxing structure on e-commerce. The bill does not repeal any existing taxes; it only prevents the imposition of a new tax. The bill compliments a federal ban on Internet taxes. The bill will give the Legislature until 2004 to work out a long-term solution to Internet taxation issues.

**Testimony Against:** None.

**Testified:** Gary Gardner, Wash. Assn. of Internet Service Providers (pro).