
**Technology, Telecommunications
& Energy Committee**

SSB 5948

Brief Description: Modifying the taxation of telephone services.

Sponsors: Senate Committee on Technology & Communications (originally sponsored by Senators Honeyford, B. Sheldon and Johnson).

Brief Summary of Substitute Bill

- Provides that bundled telephone services that include both taxed and untaxed services may be taxed only on the taxable services (rather than the entire bundle) if the telephone company can identify the charges for each service using its regular business records.

Hearing Date: 2/24/04

Staff: Pam Madson (786-7166).

Background:

In an effort to provide one-stop-shopping for customers, some telecommunications companies are "bundling" or packaging different services into one bill at a set price. Some of these services, such as residential local service for land-line customers, are not subject to the retail sales tax. But other services, such as long distance, are subject to the retail sales tax.

Under the federal Mobile Sourcing Act, wireless services that are nontaxable, when bundled with taxable services, remain nontaxable if the provider can reasonably identify the nontaxable charges using its regular business records. That is not the case for land-line services, however. Under the current law, when taxable and nontaxable land-line services are bundled, the entire package is generally taxable.

Summary of Bill:

Telephone services that are not taxable continue to be nontaxable when bundled with taxable services if the provider can identify, using its books and records kept in the ordinary course of business, that portion of the charge attributable to the nontaxable services.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.