

SENATE BILL REPORT

SHB 2055

As Reported By Senate Committee On:
Technology & Communications, February 26, 2004

Title: An act relating to bundled telecommunications services.

Brief Description: Modifying the taxation of telephone services.

Sponsors: House Committee on Technology, Telecommunications & Energy (originally sponsored by Representatives Morris, Crouse and Bush).

Brief History:

Committee Activity: Technology & Communications: 2/19/04, 2/26/04 [DP].

SENATE COMMITTEE ON TECHNOLOGY & COMMUNICATIONS

Majority Report: Do pass.

Signed by Senators Schmidt, Chair; Esser, Vice Chair; Berkey, Eide, McCaslin, Poulsen and Stevens.

Staff: William Bridges (786-7424)

Background: In an effort to provide one-stop-shopping for customers, some telecommunications companies are "bundling" or packaging different services into one bill. 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 from 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: Available.

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

Testimony For: Services are being packaged in the telecommunications market and there is some "greyness" as to the taxation of these services. This bill will assure that services that are

currently not taxable will remain non-taxable and those that are taxable will remain taxable. This is the companion to SSB 5948. The Department of Revenue agreed to this language.

Testimony Against: None.

Testified: Rep. Morris, prime sponsor; Barb Young, Sprint (pro).